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National
Home Center News®

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Hechinger readies plan for accelerated growth

By Phillip M. Perry
NHCN staff editor

LANDOVER, Md. — Hechinger Co. has announced a major new campaign to roll out stores more rapidly in the eastern half of the United States.

HECHINGER

It also confirmed it is "actively looking" for a site for a regional distribution center in the Northeast, although a time frame for that facility has not been set.

The plan calls for 28 new stores over the next 24 months, as well as a new regional 310,000 square foot distribution center in Charlotte, N.C.

The company said the 28 new stores would be located in six new markets, as well as the seven Eastern states where it currently operates 62 stores.

The six new markets are Rhode Island, Connecticut, Delaware, West Virginia, Tennessee, and Long Island, a

(Continued on page 92)

Pay 'N Pak offered $171M for buyout by Fla. investor

By Brad Altman
NHCN staff editor

KENT, Wash. — Pay 'N Pak Stores is considering a proposal from Florida investor Paul Bilzerian to buy the 107-unit company for $19 a share, or approximately $171.1 million in cash.

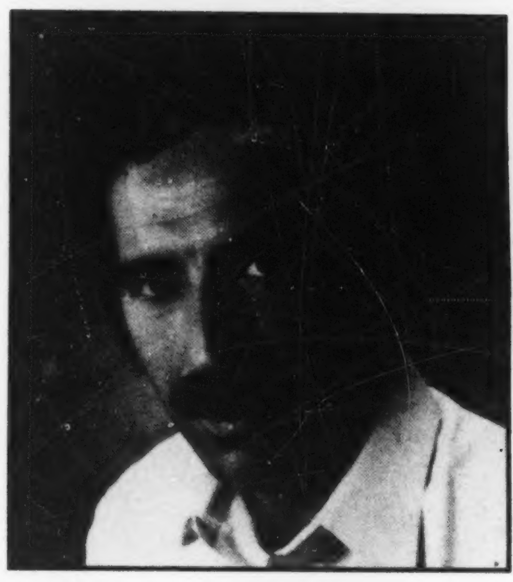
Earlier this month Bilzerian, 36, and his Tampa-based investment company, Bicoastal Financial Corporation, sent Pay 'N Pak a letter proposing "a merger or other business combination."

Pay 'N Pak did not immediately reveal whether it would seek to merge with a "white knight" to counter Bilzerian's offer, although the company said it has retained Salomon Brothers as its financial advisor. Pay 'N Pak declined comment on the bid, but it expected to take a few weeks to evaluate it.

"Pay 'N Pak will evaluate the offer and kick it around its board. In the meantime, Salomon Brothers will beat the bushes trying to get somebody to come up with a higher offer," said Bo Cheadle, an analyst with the San Francisco firm Montgomery Securities.

Cheadle thought that Pay

(Continued on page 91)


Courtesy of Bicoastal Financial Corp.

Paul Bilzerian, who has offered $19 per share for Pay 'N Pak's stock.

Agway moves into consumer arena with garden shops

By Elizabeth Brent
NHCN staff editor

DEWITT, N.Y.— It ranks 112th in the *Fortune* 500 listing released two weeks ago. It had more than $3.5 billion in total sales in 1986. It sells to 767 dealers in 11 states.

And now Agway, a name best known in farm circles, is attempting to make its presence felt in the home improvement market by developing a consumer business in lawn and garden products.

"[Agway's] corporate management realizes that it is working with a declining base of consumer-farmers," noted Dwane Lipinski, special assistant to the Commissioner of Agriculture and Markets in Albany, N.Y. But he described the farm cooperative—of which he is a shareholder—as "a remarkably flexible company able to turn its expertise to running a more consumer-oriented business."

To become more consumer-oriented, Agway has turned to franchising as the quickest method to expand its lawn and garden centers and its cash and carry business. It will add 100 new franchised operations within the next five years by building 50 new stores, at a rate of 10 a year, and converting 50 of its company stores into franchises.

At present 350 of Agway's 767 stores are run as franchises, while 367 are owned and operated by the company. In addition, Agway manages 50 more stores for the local farm cooperatives, supplying an Agway bookkeeper or store manager.

Its units now carry 10,000 sku's, with a heavy concentration of outdoor power equipment including two private label lines of tractor mowers. It has recently added barbecues, patio furniture, and pool equipment to its more traditional lines of nursery, feeds, fencing, seeds and lawn and garden tools.

Agway has refined its product mix over the last four years, dropping automotive products, appliances, building materials and finished millwork from its mix and focusing on lawn and garden products.

(Continued on page 91)

Bob Brown, a 32-year Agway veteran, standing in the back of his Tully, N.Y., farm store.
NHCN photo

Larry Moller, president of Moller & Vandenboom Lumber, arriving by limo at Alexanderr Wholesale, where he's greeted by vp Ken Barnes. NHCN *photo*

Limousine chauffeurs new business to Ill. wholesaler

By Gary S. Ruderman
NHCN staff editor

AURORA, Ill. — The long, silver-gray limousine drives through the shopping center in this city 40 miles from Chicago. It stops smoothly in front of a nondescript building and the chauffeur opens the door, letting out a leather-jacketed man and white-coated woman alight after a three-hour drive.

Wealthy suburbanites arriving at their stock broker's? Wheeler-dealers coming to pen a billion-dollar deal? Celebrities arriving at their attorney's office?

No. It's the president of Moller & Vandenboom Lumber, a five-unit home center chain based in Quincy, Ill., and his purchasing agent arriving at Alexander Wholesale and Supply (AW&S), a $13 million hardlines distributor here.

Alexander uses a $40,000 limo to ferry potential retail customers

(Continued on page 91)

Industry studies assert no danger from fiberglass

By Mike Corrado
NHCN staff editor

NEW YORK — Makers of fiberglass insulation received some good news recently when two industry-sponsored studies found no link between lung cancer and fiberglass.

"From the studies we find that the product is not acting as a car-

(Continued on page 92)

INSIDE

Project Sell

Dealers cashing in on America's love affair with kitchens and baths

Chains and independents alike have been remodeling their kitchen and bath departments to best showcase higher-end products and to encourage consumers to buy the entire package from their stores, which can run anywhere from $2,500 to $30,000. *NHCN* examines how a number of dealers promote project selling in these categories.

NEWSBREAKS

THIEVES RIP OFF DEALER'S TRUCKS: The main lumberyard of M.G. Building Materials, San Antonio, Texas, was broken into on April 6 and three loaded trucks were stolen, dumped and reloaded, according to the San Antonio Police Department. No one has been apprehended.

DEPOT LANDS CHATTANOOGA SITE: The Home Depot signed a deal last month for a former Mr. HOW Warehouse store in Chattanooga, Tenn. The store will be one of 16 new units to open this year.

INDUSTRY UPDATE

Wickes' 4th Q loss totals $2.5M

SANTA MONICA, Calif. — Wickes Cos. reported a $2.5 million loss for the fourth quarter ended January 31, compared with net income of $28.6 million for the same quarter in 1986. Sales increased 59% to $1.4 billion from $885.2 million.

For the fiscal year, Wickes posted a 10% increase in net income to $83.8 million on a 70% sales gain to $4.8 billion.

Results include the operations of Collins & Aikman from December 1986; of Grace Home Centers West and Orchard Supply Hardware from July 1, and of Homecrafters Warehouse from Sept. 5.

Wickes also proposed a 1-for-5 reverse stock split which would reduce its 239 million shares to 48 million. Shareholders will vote on the split June 18.

In addition, Wickes intends to redeem $200 million in debt issued as part of its 1985 bankruptcy reorganization.

Builderama to open six units

SAVANNAH, Ga. — Builderama, the seven-unit retailer headquartered here, plans to open five to six more home centers in the next two to five years, according to president Donald Kole.

The first will open this fall in North Augusta, S.C.

Builderama's expansion is due in large part to the company's new parent, Wiener Enterprises of Harahan, La. Wiener purchased Builderama last Oct. 7.

Handy Andy forms buying office

SCHAUMBURG, Ill. — Handy Andy Home Improvement Centers will consolidate the Cleveland-based buying functions of its new Forest City subsidiary into its new corporate buying office in Schaumburg, Ill., although a small merchandising support group will remain in Cleveland, according to Hank Kirschner, senior vp-marketing.

In addition, Kirschner, 51, will replace Paul Siegel as vp of merchandising at Forest City. Kirschner joined Handy Andy last November after holding several other senior positions.

Siegel, 55, who held the post for five years, said he was not offered a position by Handy Andy and that Kirschner's post duplicated his.

P.F. O'Connor shuts Fla. unit

BRAINTREE, Mass. — P.F. O'Connor has closed its Vero Beach, Fla., unit, and will lease the ten-acre site.

Although the unit fitted in with the company's strong builder-oriented yards, its location made management difficult.

The isolation was heightened after the acquisition of four Brewsters stores in April 1986. These strengthened P.F. O' Connor's foothold in New England.

The company currently operates nine stores and will add another later this year according to its president Patrick O'Connor.

Coast renames auto units

DENVER — A legal copyright has barred Coast to Coast from calling its auto-related convenience stores "Auto X-press," because Montgomery Ward owns the copyright to the "express" terminology for any auto-related businesses.

Effective March 15, Coast to Coast officially changed the name of the two experimental units to Coast Car Care stores.

The two car care stores and one Hardware X-press unit were scheduled to open April 9.

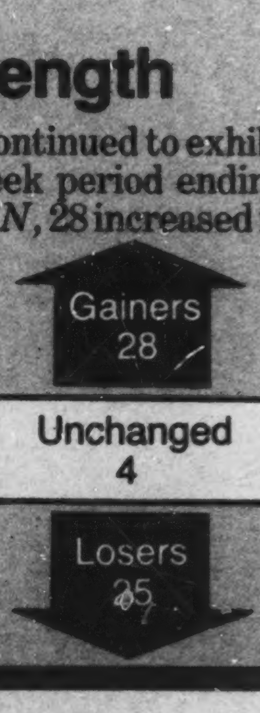
Stocks exhibit strength

NEW YORK — Home center stocks continued to exhibit considerable strength for the two-week period ending April 3. Of the 57 stocks tracked by *NHCN*, 28 increased in value, while four remained unchanged and 25 dropped in price.

On news of a possible takeover, Pay 'N Pak increased 51.4% to $20¼. Michigan General rebounded by 44.4% to $1⅔.

Stanline increased by 13.3% to $12¾.

National Lumber declined 7.1% to $6½. Scotty's went down 6.6% to $14⅛.



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Exhibitors display mixed reaction to summer housewares show

By Laura Liebeck
NHCN staff editor

CHICAGO — Although the National Housewares Manufacturers Association (NHMA) announced in late March that it would reinstate its summer housewares show beginning in July 1988, many exhibitors at its convention this month claimed they knew nothing about the decision.

In fact, many attendees were still complaining about the association's decision to resume its January show, from its November/April schedule, beginning next year.

The NHMA made its decision to hold a July housewares show based on results of a February survey of its members (*NHCN*, April 6.) But many exhibitors told *NHCN* they never received a survey or even knew a poll was being taken.

Despite that, exhibitor reaction was mixed upon hearing the news.

According to NHMA, the survey revealed that 53% of the association's members feel only one show a year is necessary while 47% favor two annual shows. These were the same results of the association's previous survey, which caused the NHMA to drop the summer housewares show, beginning in 1988.

Association leaders, led by newly named NHMA president Jay Spaulding and board chairman Tom Manning, explained that the July show was being reinstated to serve the "900 members" who say they want and need a second show.

Unlike the January show, which is the association's premier event, the July 1988 program will be held in the smaller confines of McCormick Place East, and member attendance will be optional. Booth space will be assigned on a first come, first assigned basis, and seniority in the January show would be unaffected by attendance in the summer show.

Business as usual

Despite the news about the July NHMA show, last month's event was pretty

(Continued on page 91)

Landsdale resigns, forms retail co.

By an NHCN staff editor

SAN ANTONIO, Tex. — Daryl L. Landsdale, the former president of W.R. Grace's Central Region, has formed a new company here called Lone Star Hardware which, according to a company source, is for the purposes of starting a new retail company.

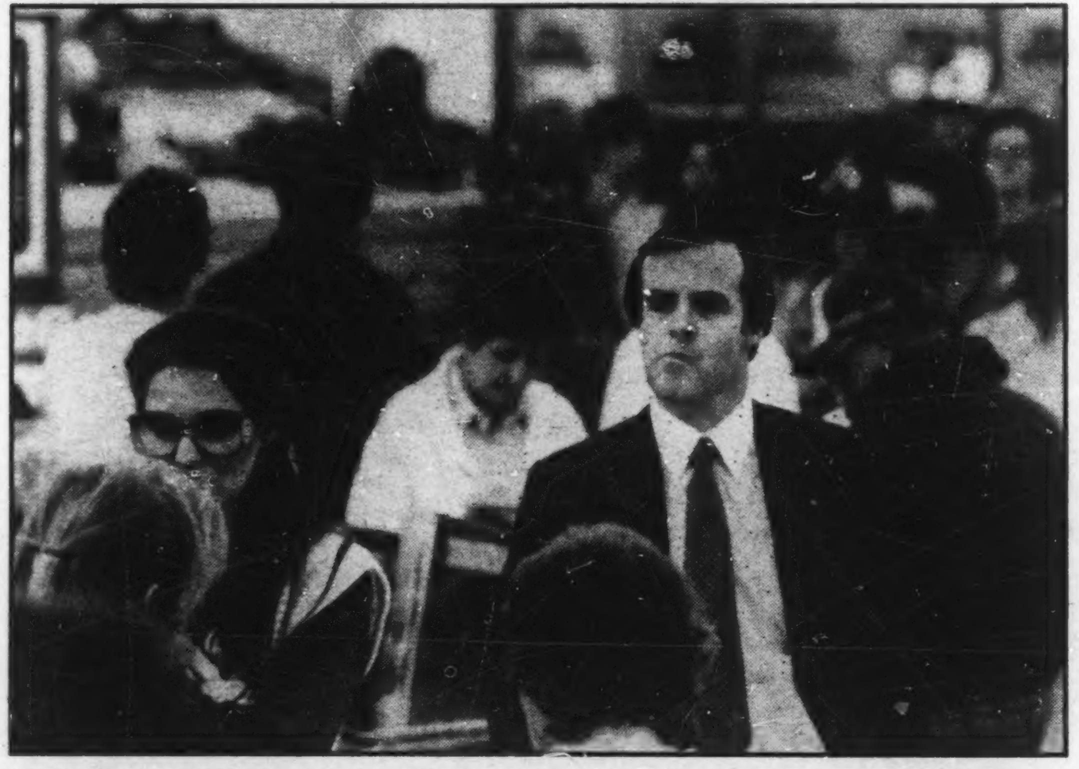
The 46-year-old Landsdale resigned from the 95-unit, $340 million Central Region on March 31, a move that was seen as inevitable by most industry observers after Grace sold the company to a management group at Channel Home Centers, Whippany, N.Y.

Others who have also left at the Central Region, whose stores operate under the names Handy Dan, Handy City and House Works!, were vp-marketing Ron Russell, chief financial officer Tom Klimback, as well as vice presidents of financial planning and personnel.

Landsdale did not respond to repeated phone messages left with his office. But it is assumed that he will be staying in the retail home improvement business.

He was at last month's Home Center Show in Chicago. And when Grace put its home center division up for sale, Landsdale had a leveraged buyout offer on the table for an indeterminant segment of the Central Region.

(Continued on page 92)



Daryl Landsdale, standing among the throng at an opening of a House Works! store in New Orleans in 1983. Landsdale resigned as president of W.R. Grace's Central Region last month. He has formed his own company that reportedly will be starting up a new retail firm.

NHCN *photo*

Michigan General saved from Chap. 11

By an NHCN staff editor

SADDLE BROOK, N.J. — A committee representing holders of 75% of a Michigan General debt issue has agreed to exchange such holdings for a new series of debentures, thereby allowing Michigan General to meet a June 1 interest payment deadline.

If these negotiations had not been successful, Michigan General stated that it would have had to "seek the protection afforded by the federal bankruptcy laws."

In the company's 1986 financial statements, its independent auditors, Deloite Haskins & Sells, had questioned the ability of Michigan General to continue to exist if it were not able to reduce its debt burden through the debenture exchange.

Diamond should benefit

The recent committee agreement has got to be good news for Diamond Lumber, the 75-unit Dallas-based building products chain, which is now Michigan General's primary component.

Late last month, Michigan General signed a letter of intent to sell off its Krestmark subsidiaries to LCB Holdings Inc., a privately owned manufacturer in Dallas that makes structural steel joists and rack and storage handling systems.

The deal for Krestmark, which had combined operating losses in 1985 and 1986 of $6.9 million, included $6.5 million in cash, which Michigan General will use to reduce its debt.

"The sale of Krestmark is in keeping with our efforts to get out of manufacturing and concentrate resources on retailing operations through our Diamond Lumber and Savannah Wholesale subsidiaries," said Ralph Shapiro, Michigan General's chairman and president.

Michigan General's attention to its two remaining businesses has taken the form of austerity, as Diamond, over the past several weeks, has

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Investor newsletter helps boost National Lumber stock

By an NHCN staff editor

FOUNTAIN VALLEY, Calif. — National Lumber was the beneficiary of a favorable mention in an investor newsletter, and its stock responded by jumping to $7 per share from $4 a share in March.

In early April, the stock for the 18-unit chain was trading at $6.50 a share.

The newsletter is *Dessauer's Journal*, which recommended National Lumber's stock "for current purchase" in its Feb. 11, 1987, edition.

"Rising earnings, an attractive, well-managed company in a booming real estate market and improving fundamentals make National Lumber a good choice for gains in 1987," the newsletter said.

V.J. Carnevale, National's chief financial officer, said the chain will release fiscal-year and fourth-quarter results on April 30.

National Lumber reported third-quarter net income increased to $228,476, almost double the profit of $125,369 reported in the same period a year earlier. Sales increased 13.7% to $38.3 million.

Carnevale mentioned several events that have contributed to National Lumber's improving results. He noted that competitor Builders Emporium has closed several units in National Lumber's trading areas, and "where they closed, we picked up."

In addition, in southern California, Carnevale said, the "cutthroat pricing" has been slowing down.

Carnevale said it is discovering that it can peacefully coexist with the warehouse operators, in part because "we are more service oriented. Women shoppers are increasing. There is a place for both [the warehouses and traditional-format home centers]."

Looking ahead to 1987, Carnevale said he is "hopeful it will be a good year." Noting that National Lumber opened seven new stores over a two-year period, he said, "We are seeing improvements in all our new store" sales.

And Carnevale said National Lumber, which in 1986 didn't open any new stores and closed one store in San Bernardino, will "possibly open two this year"—in Sunnymead in mid-June and Laguna Niguel in late 1987.

He added, "We have three or four sites under observation and are definitely in an expansion mode, but at a slower pace."

Lowe's sales rise 7% in February

By an NHCN staff editor

NORTH WILKESBORO, N.C. — Lowe's Cos. announced a 7 percent increase in sales for February 1987, totaling $136.6 million for the month.

Contractor sales totaling $68.9 million were up 3 percent over last year and account for 50 percent of total sales for 1987. Retail sales are up 12 percent at $67.7 million.

Story said that Lowe's goal is to reach a DIY-to-contractor sales ratio of 60/40.

Lowe's opened three stores during the month in Ocala, Fla., West Knoxville, Tenn., and Southern Pines, N.C.

The Moore, Okla., store closed in October 1986, and in January 1987, Lowe's closed its Decatur, Ga., and West Indianapolis, Ind., stores. These stores were removed from the total for the comparison, explained Clarissa Story, manager of investor research.

Lowe's currently operates 303 stores in 21 states in the South Atlantic and South Central regions of the U.S.

Story said Lowe's capital budget for the year is $110 million, down $30 million from last year. The larger 1986 budget was needed for new stores being built and the retrofitting of existing stores.

Lowe's is currently in the process of retrofitting and remerchandising stores acquired from Boise Cascade in the Southwest. Two stores have been completed, and eight are in progress.

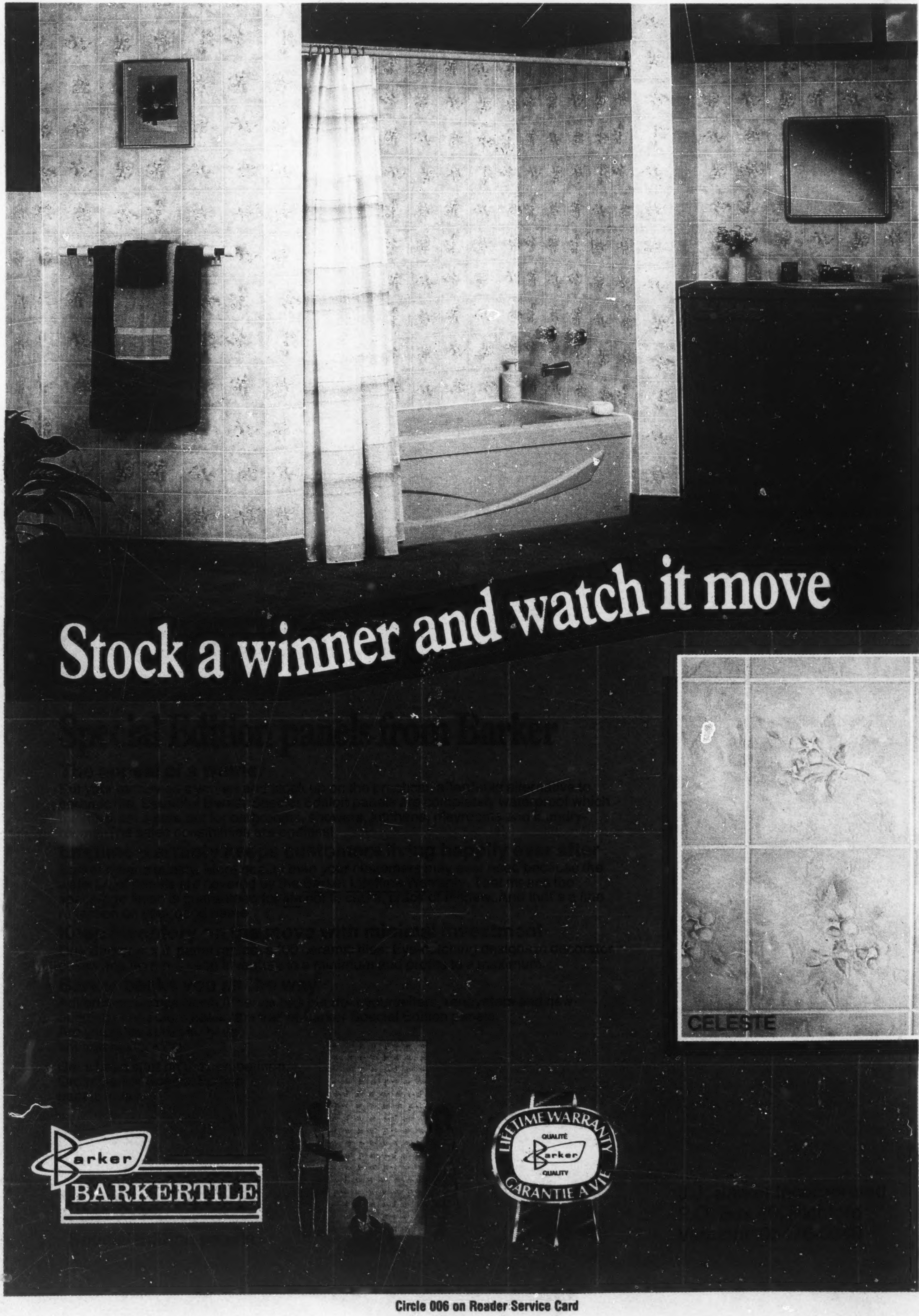
Corrections

A story in the Feb. 23 edition incorrectly identified the DIY Research Institute as being a part of the National Retail Hardware Association (NRHA). The Institute was associated with the NRHA via a management contract prior to it becoming part of the Home Center Research Bureau, a division of Vance Publishing, in January.

Due to an editing error, a statement about the NRHA choosing not to renew the management contract was incorrectly associated with Richard Lambert's retirement from the group on Jan. 23. The statement referred to the Research Institute.

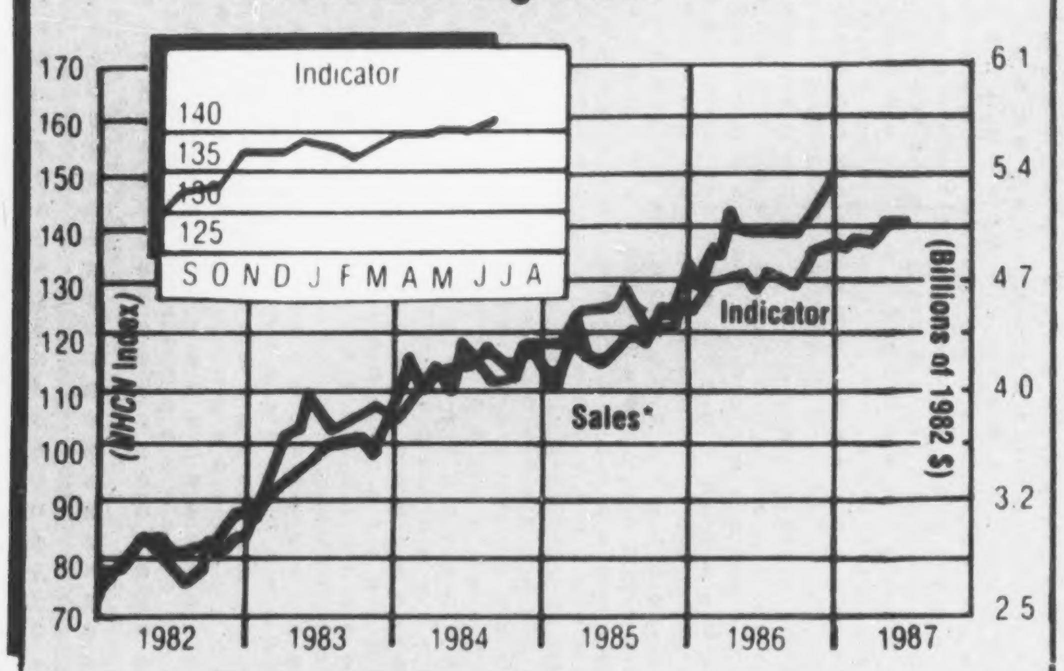
The April 6 issue misidentified the recipient of the Golden Hammer award for this year's best advertising campaign by a manufacturer. It was Chuck Stuart, executive vice president for North American Philips Lighting. In addition, last month's event was the third annual ad awards banquet, not the second.

Due to a typographical error, a chart on page 71 of *NHCN's* April 6 issue misstated the cost of Triangle Pacific's computer design hardware. The cost is actually $1,200, not $12,000.



Circle 006 on Reader Service Card

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN *Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong from September to December of 1986, although they fell in January. Single family housing starts exceeded 1.3 million in February and will remain near 1.2 million units during 1987 as interest rates decline.*

Building material sales up 15% in East North Central states

By Richard E. Mount
Special to NHCN

Building material sales are expected to increase 15% in the East North Central states this year, faster than the 11% national average. Adjusted for inflation, sales in the region will be up 7% in unit volume.

Richard E. Mount

The East North Central states are the industrial heartland of the country. Regional employment did not begin to rise from the last recession until 1984 and it was not until the second half of 1986 that the total number employed equalled the prerecession peak! Manufacturing was held in check because the high value of the dollar increased import penetration while limiting exports of U.S. produced goods. Employment in 1985 and 1986 was boosted by automobile promotions which raised domestic production to 8.2 million units in 1985, up 5% from 1984, the highest level since 1979. Production declined 4% in 1986 to a still high 7.8 million as promotions had less of an impact on buyers.

Problems for employment

Regional employment gains in 1987, however, will not be as strong as 1986.

Domestic auto production will decline 8% to 7.2 million units because promotions in 1985 and 1986 oversold the market. General Motors has already ordered sharp reductions in second quarter

(Continued on page 23)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

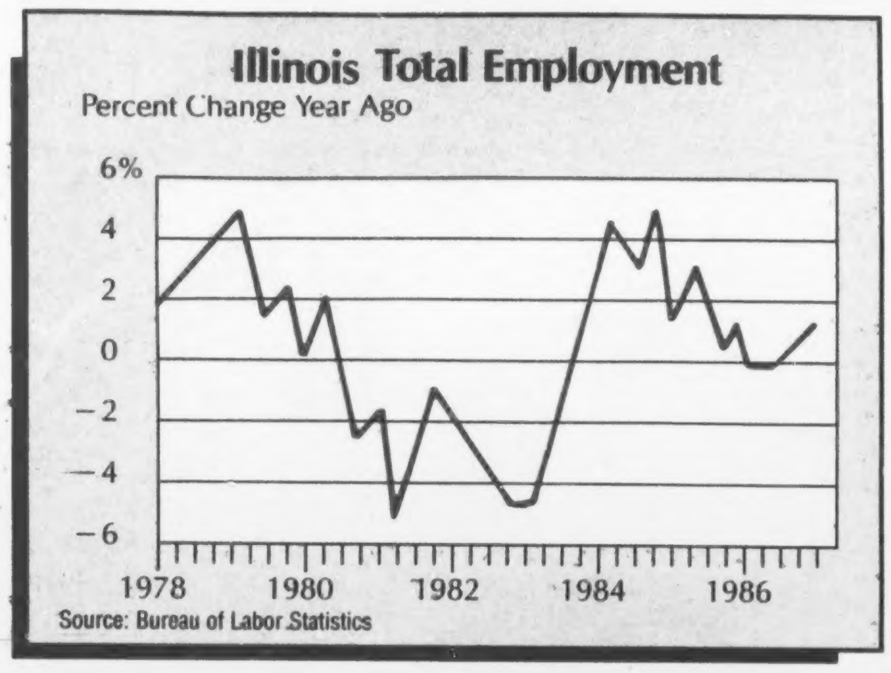
Home Center Industry Regional Outlook

		1985	1986				1987					
		QIV	QI	QII	QIII	QIV	QI	QII	QIII	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		123.4	124.7	127.9	132.1	137.1	13[illegible].6	140.2	143.4	118.5	130.3	141.3
Building Material Retail Sales												
Current	**$ Millions SAAR** **Total United States**	**56,976**	**61,260**	**62,580**	**62,956**	**64,584**	**66,076**	**68,432**	**70,590**	**53,841**	**62,845**	**69,751**
	New England	3,477	3,492	3,854	4,210	3,978	4,057	4,188	4,313	3,038	3,884	4,267
	Middle Atlantic	8,306	8,324	8,926	9,261	8,938	9,118	9,423	9,692	7,269	8,862	9,590
	East North Central	9,048	8,096	9,699	10,014	10,314	10,605	11,018	11,393	8,381	9,531	11,242
	West North Central	4,000	3,541	4,049	4,413	4,463	4,553	4,708	4,857	3,747	4,116	4,804
	South Atlantic	11,837	13,871	13,442	12,394	13,459	13,783	14,295	14,767	11,262	13,292	14,579
	East South Central	3,182	3,513	3,633	3,757	3,869	4,011	4,174	4,334	2,964	3,693	4,268
	West South Central	6,041	6,817	6,355	5,975	6,278	6,396	6,597	6,791	6,090	6,356	6,720
	Mountain	2,763	3,256	2,962	2,997	3,171	3,244	3,353	3,452	2,674	3,097	3,414
	Pacific	8,322	10,269	9,659	10,087	10,114	10,308	10,675	10,991	8,377	10,032	10,869
Constant	**Millions $1982 SAAR** **Total United States**	**53,749**	**57,497**	**60,401**	**59,924**	**60,190**	**60,790**	**62,150**	**63,475**	**51,035**	**59,503**	**63,054**
	New England	3,280	3,465	3,781	3,733	3,708	3,733	3,804	3,878	2,882	3,672	3,857
	Middle Atlantic	7,836	7,926	8,450	8,317	8,330	8,389	8,558	8,715	6,894	8,256	8,669
	East North Central	8,536	9,205	9,568	9,522	9,612	9,757	10,006	10,245	7,950	9,477	10,162
	West North Central	3,773	4,110	4,210	4,165	4,159	4,188	4,276	4,367	3,554	4,161	4,343
	South Atlantic	11,167	11,629	12,521	12,452	12,544	12,681	12,983	13,279	10,682	12,286	13,179
	East South Central	3,002	3,270	3,533	3,542	3,605	3,690	3,791	3,897	2,812	3,488	3,858
	West South Central	5,699	6,229	6,040	5,932	5,850	5,884	5,991	6,106	5,777	6,013	6,075
	Mountain	2,607	2,803	2,929	2,930	2,955	2,985	3,045	3,104	2,536	2,905	3,086
	Pacific	7,851	8,861	9,368	9,330	9,426	9,483	9,695	9,883	7,946	9,246	9,825
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current)** **Total United States**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
	New England	6.10	6.03	6.26	6.23	6.16	6.14	6.12	6.11	5.65	6.17	6.12
	Middle Atlantic	14.58	13.79	13.99	13.88	13.84	13.80	13.77	13.73	13.51	13.88	13.75
	East North Central	15.88	16.01	15.84	15.89	15.97	16.05	16.10	16.14	15.58	15.93	16.12
	West North Central	7.02	7.15	6.97	6.95	6.91	6.89	6.88	6.88	6.96	6.99	6.89
	South Atlantic	20.78	20.22	20.73	20.78	20.84	20.86	20.89	20.92	20.93	20.65	20.90
	East South Central	5.58	5.69	5.85	5.91	5.99	6.07	6.10	6.14	5.51	5.86	6.12
	West South Central	10.60	10.83	10.00	9.90	9.72	9.68	9.64	9.62	11.32	10.11	9.63
	Mountain	4.85	4.88	4.85	4.89	4.91	4.91	4.90	4.89	4.97	4.88	4.89
	Pacific	14.61	15.41	15.51	15.57	15.66	15.60	15.60	15.57	15.57	15.54	15.58
Industrial Production												
Index (1977 = 100)	Brick	88.6	92.7	91.1	93.9	95.8	92.4	91.1	90.9	88.5	93.4	91.6
	Cement	99.8	121.2	108.7	105.6	108.2	107.9	106.5	105.2	105.7	110.9	106.4
	Gypsum Wallboard	132.4	132.8	133.7	132.3	134.5	134.6	134.2	133.1	126.4	133.3	133.9
	Hardware	99.4	99.8	102.1	103.5	101.7	104.5	103.9	103.2	100.9	101.8	103.8
	Lumber Products	125.7	128.0	132.8	134.1	134.2	127.5	126.7	126.1	122.9	132.3	126.7
	Paint	100.2	100.6	103.0	100.1	93.8	107.2	107.9	108.4	101.9	99.4	108.1
	Plywood	142.9	149.6	161.4	164.3	158.2	157.2	156.2	154.4	138.7	158.4	155.4

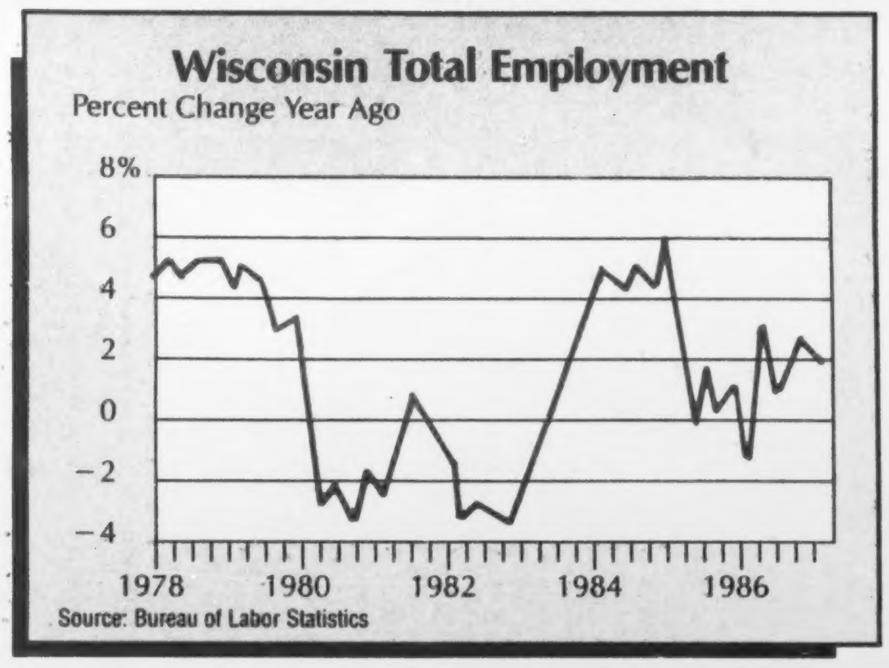
Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
March 31, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

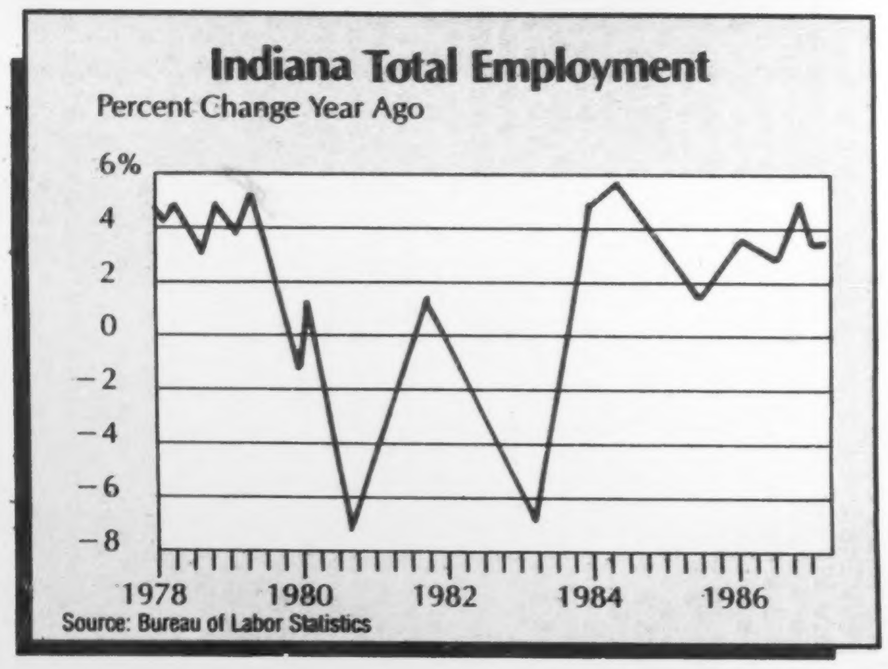
SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*


Illinois Total Employment

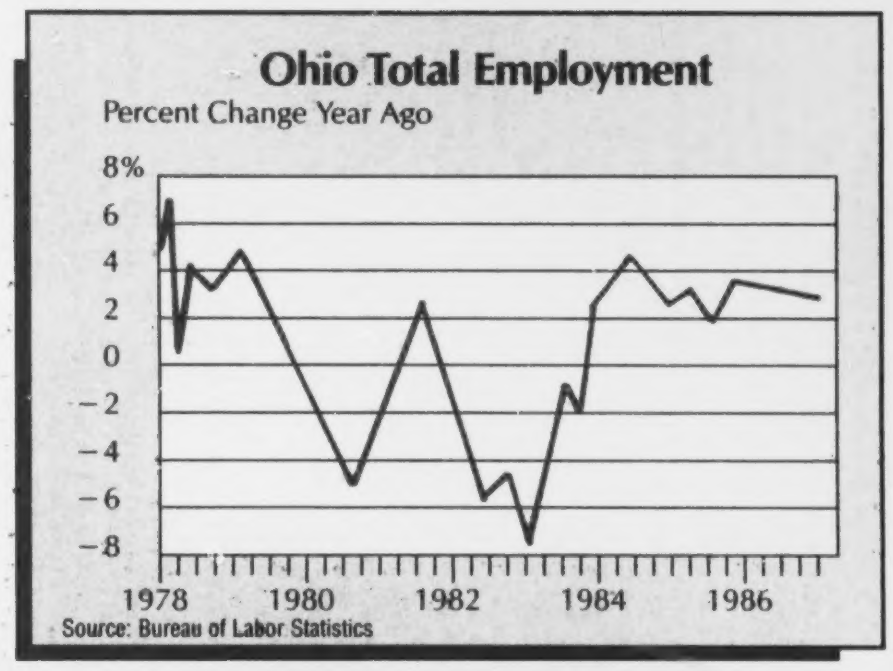
Source: Bureau of Labor Statistics


Wisconsin Total Employment

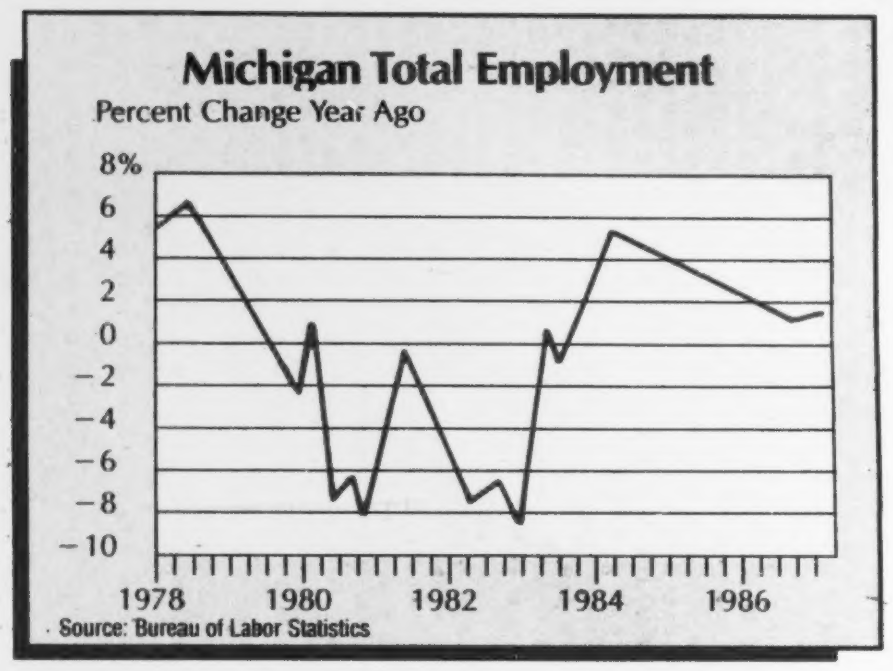
Source: Bureau of Labor Statistics


Indiana Total Employment

Source: Bureau of Labor Statistics


Ohio Total Employment

Source: Bureau of Labor Statistics


Michigan Total Employment

Source: Bureau of Labor Statistics

Building material sales will increase in industrial states

(Continued from page 16)

production schedules.

Capital goods face a difficult 1987. Corporate America is coming off a lackluster year for earnings and prospects for demand in the first half of 1987 are not good, given projected weakness in consumer durables and office construction, and malaise in energy and agriculture. Corporations are saddled with debt. Commercial and industrial loans outstanding continued to increase last year. The new tax law introduces uncertainty into the marketplace. The result will be a rise in machinery investment of only 1.9% in 1987 versus 4.1% in 1986.

Regional Outlook

Building material sales will be buoyed in 1987 by resales and single unit starts in 1986, but restrained by slower employment gains. Resales were up 13% and starts 28%, and will increase remodeling and new construction in 1987.

> Regional employment gains in 1987 will not be as strong as 1986.

Illinois and Ohio should be the strongest markets for building material in 1987, up 16%. Their economies are diverse, starts rose the fastest in the region in 1986 and resales were robust.

Wisconsin will be in the middle, building material sales rising 14%. Resales were the second strongest in the region during 1986 but starts were not robust. Manufacturing is centered about industrial and farm machinery, areas expected to be weak.

Indiana and Michigan will be below average in the region, sales up 12%. Resales were soft in 1986 and the states have concentrations in steel and autos.

Outlook for sales

Building material sales in the East North Central states will increase 15% in 1987 on the strength of resales, single unit starts, and employment in 1986. The region should be held back in 1987 by slower gains in employment, especially in auto, capital goods, and steel. If the national economy is stronger in 1987 than we currently expect, this region will benefit more than most.

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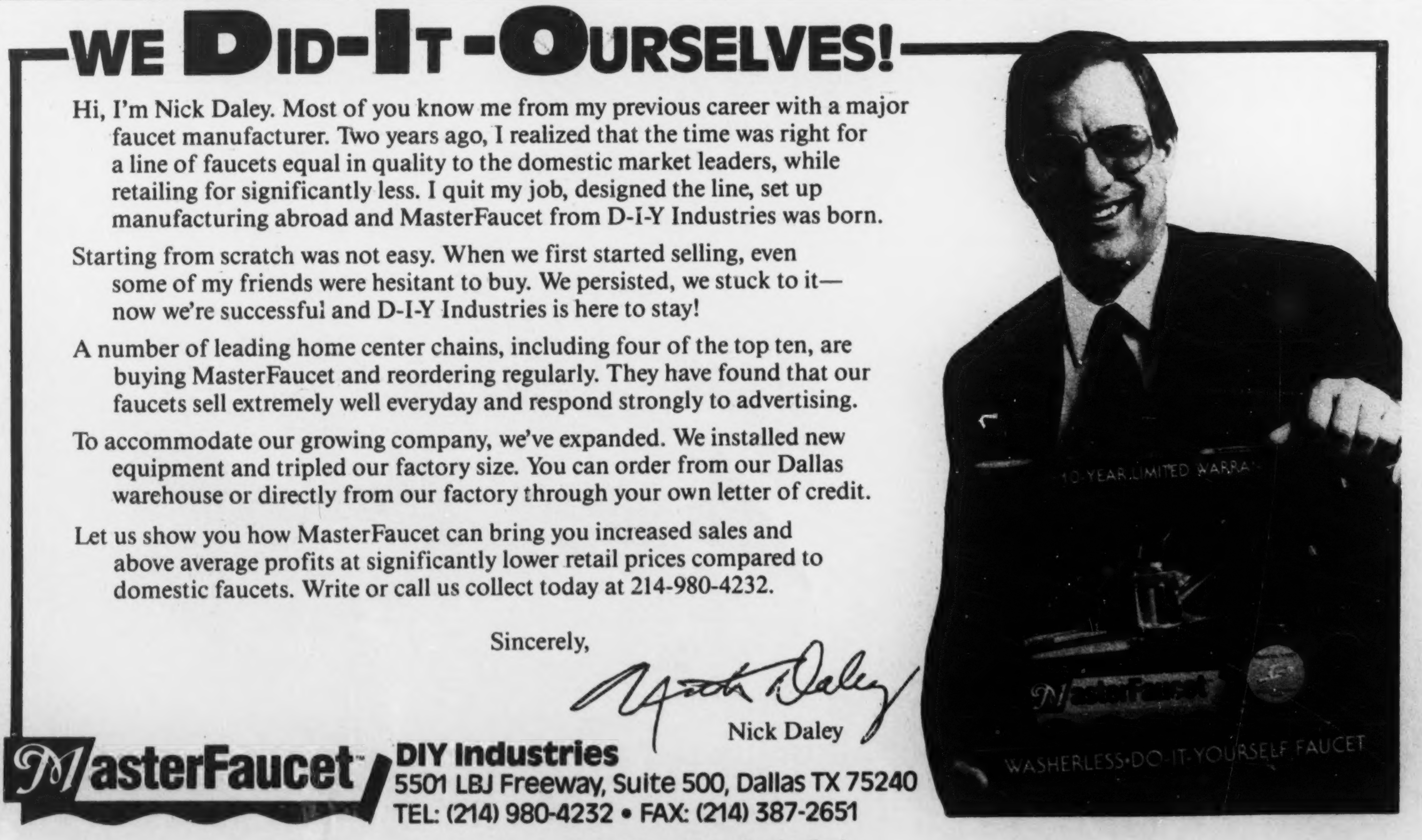
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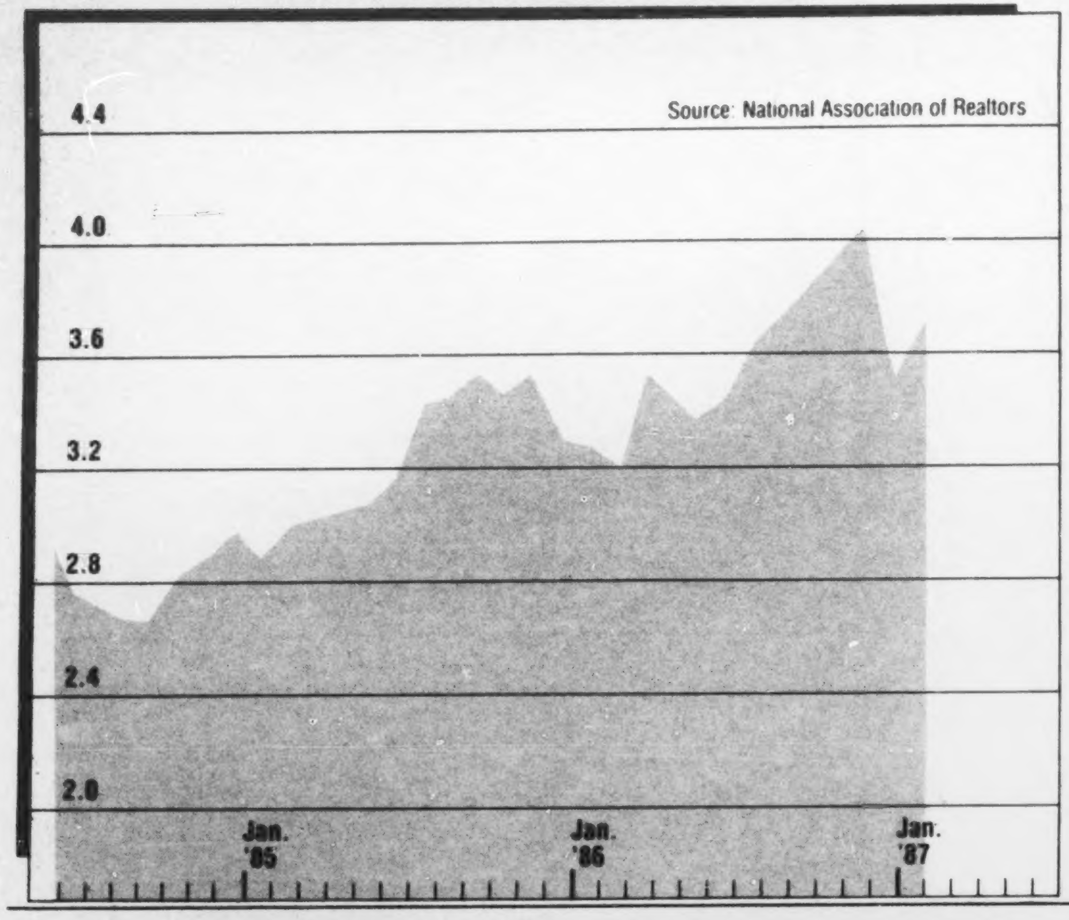
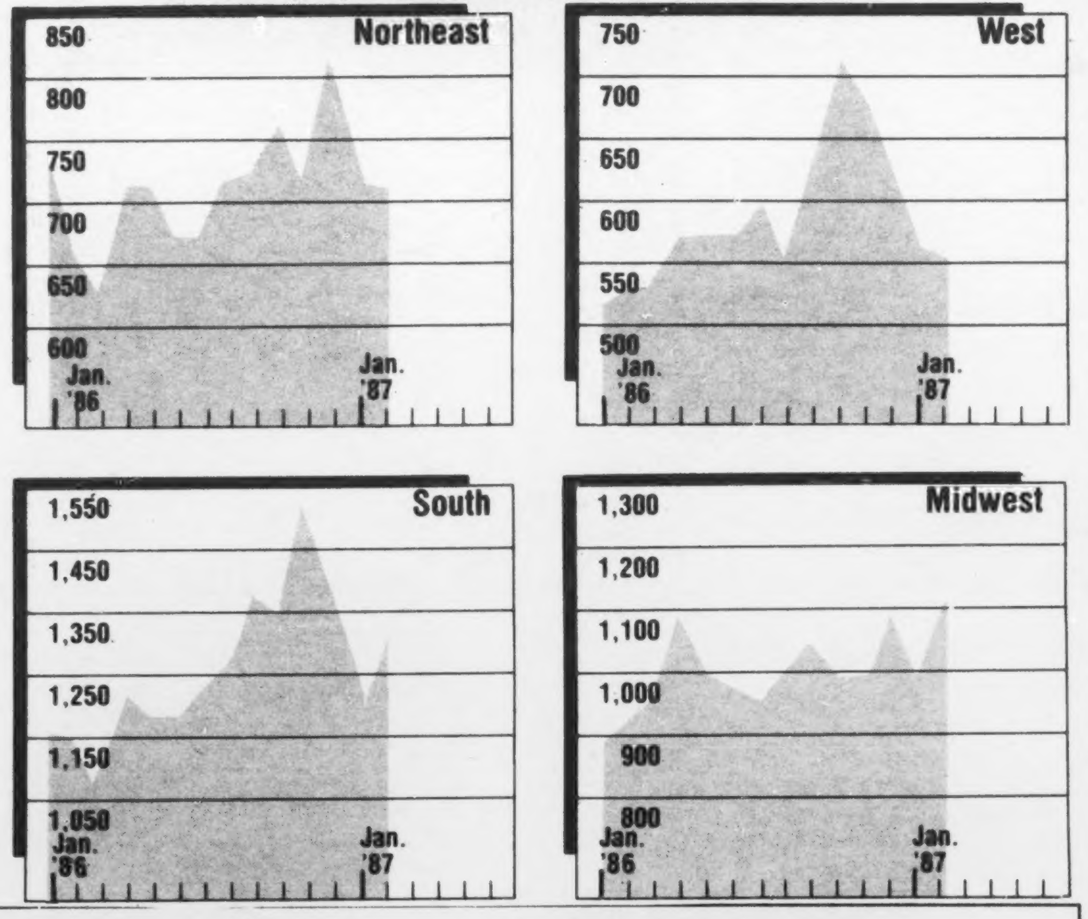
National existing single-family home sales

Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales

Seasonally adjusted annual rate (in thousands of units)



Feb resales surge 6% to 3.6M units

NATIONAL REPORT — Home resales surged 6% in February to a seasonally adjusted 3.69 million units, a figure that the National Association of Realtors (NAR) predicts as the total sales count this year.

Only the West posted a sales decline in February. Resales there fell 1.8% from January to 560,000 units, seasonally adjusted, 3.7% ahead of February 1986, NAR said.

February's activity increase was due largely to robust sales in the Midwest. This 12-state region recorded an 11% month-to-month increase in sales in February to an adjusted 1.11 million units, 18% ahead of last February.

Sales of existing single-family homes rose modestly in the South and Northeast, up 6.5% and 4.4%, respectively.

South 'turning around'

The monthly increase recorded in the Northeast shows its continued strength, but February's sales gains in the South, to 1.31 million units, "is a sign that the economy in that region is turning around," said John Tuccillo, NAR's chief economist. February's pace was 13.5% ahead of last year.

The smallest sales increase was recorded in the Northeast. Sales were an annualized 710,000 units, 4.4% ahead of last year. But the cost of a median-priced home soared $17,500 from January to February to $126,200, which was 30.1%—$29,800—more than last February. This should not continue, Tuccillo said.

Nationally, the median resale home price rose $2,900 to $85,000 in February.

Home prices in the South, the nearest to the national median, were $82,700, up 8% from last February. The median home price in the West was $102,500 in February, up $2,200 from January.

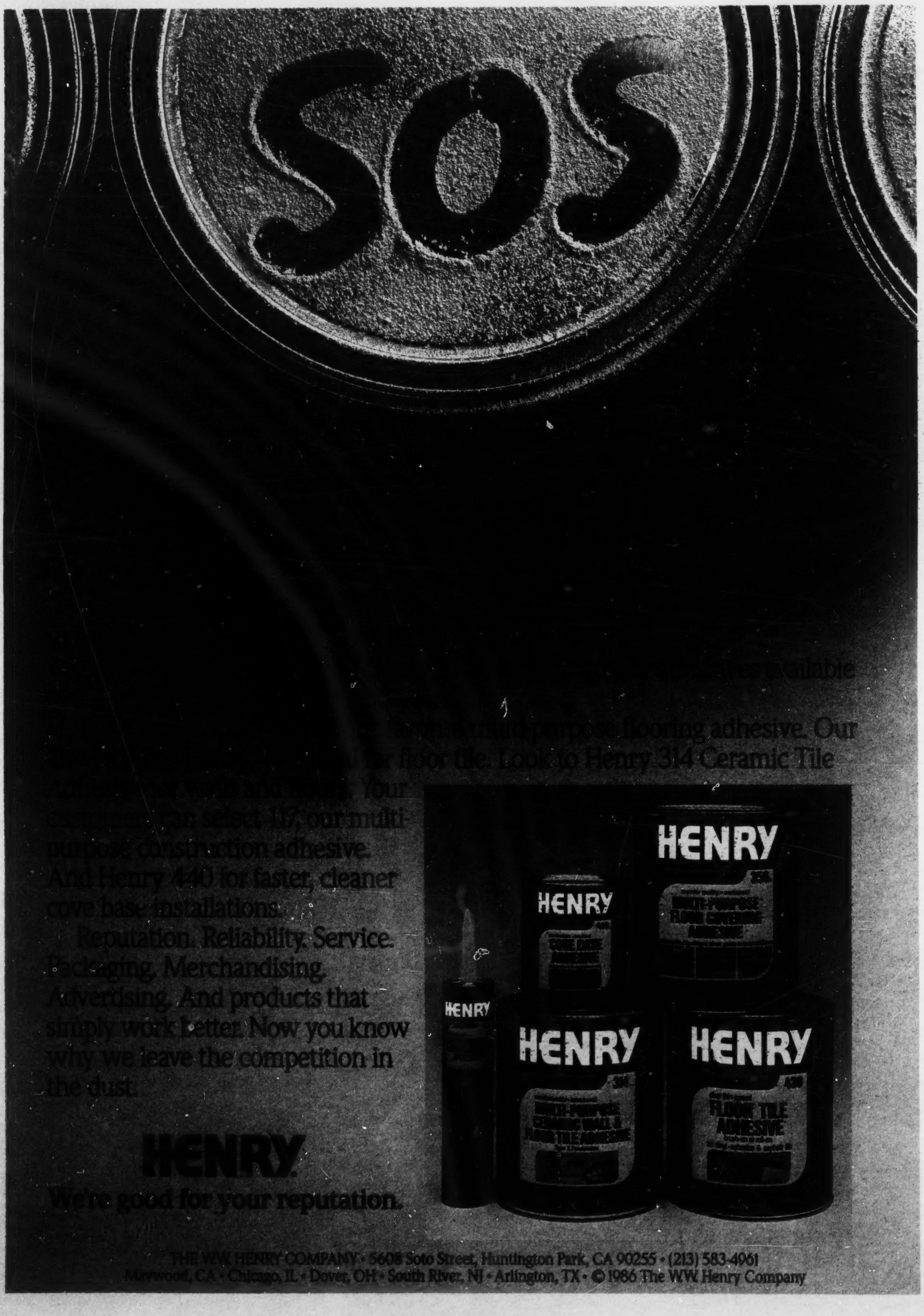
The Midwest had the lowest resale price in Feb., $67,600, up $2,400 from January and $5,500 from February 1986.

L.A. top housing market in 1986

NATIONAL REPORT — The top housing market in the U.S. last year was Los Angeles/Long Beach, with 69,990 new units, up 29% from 1985, according to the F.W. Dodge Division of McGraw-Hill Information Systems.

This was the second consecutive year that the Los Angeles market topped the list. Washington D.C. ranked second in 1986 with 52,120 new units built, up 21%.

Rounding out the top 10 list were Atlanta, 51,330 units; Riverside/San Bernardino, 49,050 homes; Phoenix, 42,879; San Diego, 37,617; Chicago, 31,874; Tampa/St. Petersburg/Clearwater, 30,947; Dallas, 30,781; and the Minneapolis/St. Paul, 26,887 units.



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PROJECT SELL:

- **32 Extensive K&B displays tried by many dealers.** Home centers are expanding the merchandise they show in kitchen and bath displays, and turning to their suppliers for help in training their in-store personnel.

- **33 New England lumberyard develops specialty store.** Back in 1984, Douglas Lumber in Rhode Island didn't even sell kitchens at retail. But its "Kitchens by Douglas" specialty unit now accounts for 10% of its sales.

- **33 Study finds kitchen and bath remodeling done by different consumers.** Rodale's *Practical Homeowner* finds considerable K&B remodeling activity among affluent consumers.

- **42 The look of kitchen and bath.** A pictorial essay of what home centers, both in the U.S. and Europe, are doing to encourage project sales.

- **44 Do appliances help sell projects?** The answer by most dealers is no, but they do bring in more customers.

- **46 Spas are their own project.** With the average ticket over $3,000, home centers want a bigger piece of the market.

- **52 Busy Beaver's 'Gallery' debuts in Buffalo, N.Y., unit.** The 9,000-square-foot specialty K&B show will include a working kitchen and 10 bath displays.

- **54 Grand Rapids independent escapes building cycle with kitchen merchandising.** Standard Lumber was "saved" when it diversified into kitchens, whose sales now make up two-thirds of its volume.

- **58 Knecht establishes kitchen 'beachhead' in Black Hills market.** This South Dakota independent draws people from 250 miles away with its elaborate kitchen displays.

- **60 Attention to detail spells high ticket sales for Barrons Gaithersburg.** It's not unusual for this Maryland lumberyard to sell $30,000 kitchens. And this fall a new bath department will be installed.

- **61 Marriage turns Palm Springs dealer's kitchen sales around.** Lumbermen's kitchen department was failing until it was rejuvenated by the wife of the company's president.

- **62 Mfgs. chip in with training and design aids.** K&B suppliers are also coming up with new ways to display their wares.

- **65 Two bath suppliers offer design help.** American Standard and Eljer Plumbingware offer two approaches to increasing project sales.

- **68 Installation key to Sears' K&B growth.** Sear's is also starting to segment its bath departments more by style.

- **69 Lowe's private labeling cabinets.** The industry's biggest chain is marketing its new line for more than just kitchens.

BEYOND THE VIGNETTE IN KITCHEN AND BATH PROJECT SELLING

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — When consumers attend clinics about kitchen installations at the three new Busy Beaver stores to open in Buffalo, N.Y., this summer, they will be treated to an entirely new marketing dimension.

While many home center chains have displayed their kitchen and bath merchandise in the most realistic and enticing settings possible, Busy Beaver is going a step beyond the traditional vignette by presenting a complete kitchen that is actually functional.

That means customers will see an oven hood, a microwave oven, a garbage disposal, a refrigerator and other appliances in operation.

By establishing a working kitchen, the Pittsburgh-based chain of 11 units is presenting the home center industry with yet another answer to the question of the year for kitchen and bath buyers: How can a home center enhance project selling in these departments beyond the vignette?

Dealers are also wrestling with the fact that kitchen and bath marketing requires a level of in-store expertise on the part of their salespeople that is beyond what their training capabilities can achieve. Consequently, dealers looking to increase their penetration in the K&B project market are relying far more heavily on their suppliers to provide training for store employees and design assistance for consumers.

Home centers are looking to expand their project marketing to capture a greater share of kitchen and bath remodeling activity that is projected to expand by 21% this year, according to NKBA estimates.

Experiments abound

There have been any number of attempts by retailers to go beyond the the marketing of projects through vignette displays to give ideas to their customers. Some of these include:

- Mr. Goodbuys and The Home Depot have started their own credit cards this year to encourage larger ticket project selling, particularly in the K&B area. Goodbuys is also one of a handful of chains that sells appliances in its stores to supplement extensive kitchen displays, a marketing strategy that is only fitfully accepted industrywide (*see other story*);

U.S. Kitchen & Bath Remodeling

Figures show units

	1984	1985	1986	1987*
Kitchens				
Remodeling	3,292,317	3,286,000	3,401,000	4,005,000
New starts	1,575,142	1,647,000	1,520,000	1,647,000
Bathrooms				
Remodeling	4,095,411	3,985,750	4,125,250	4,835,000
New starts	2,495,338	2,481,000	2,481,000	2,431,000

Source: Nat'l Kitchen & Bath Assoc.
*Projection

- At Supply One's 88,000-square-foot unit in Portland, Ore., kitchen and bath products are displayed in vignettes in the center-aisle of the store adjacent to warehouse racks containing packaged back stock.

Lyle Gregory, executive vp, said the K&B run is 119 feet long with 10 vignettes, each a four-sided square containing four different product groupings per vignette.

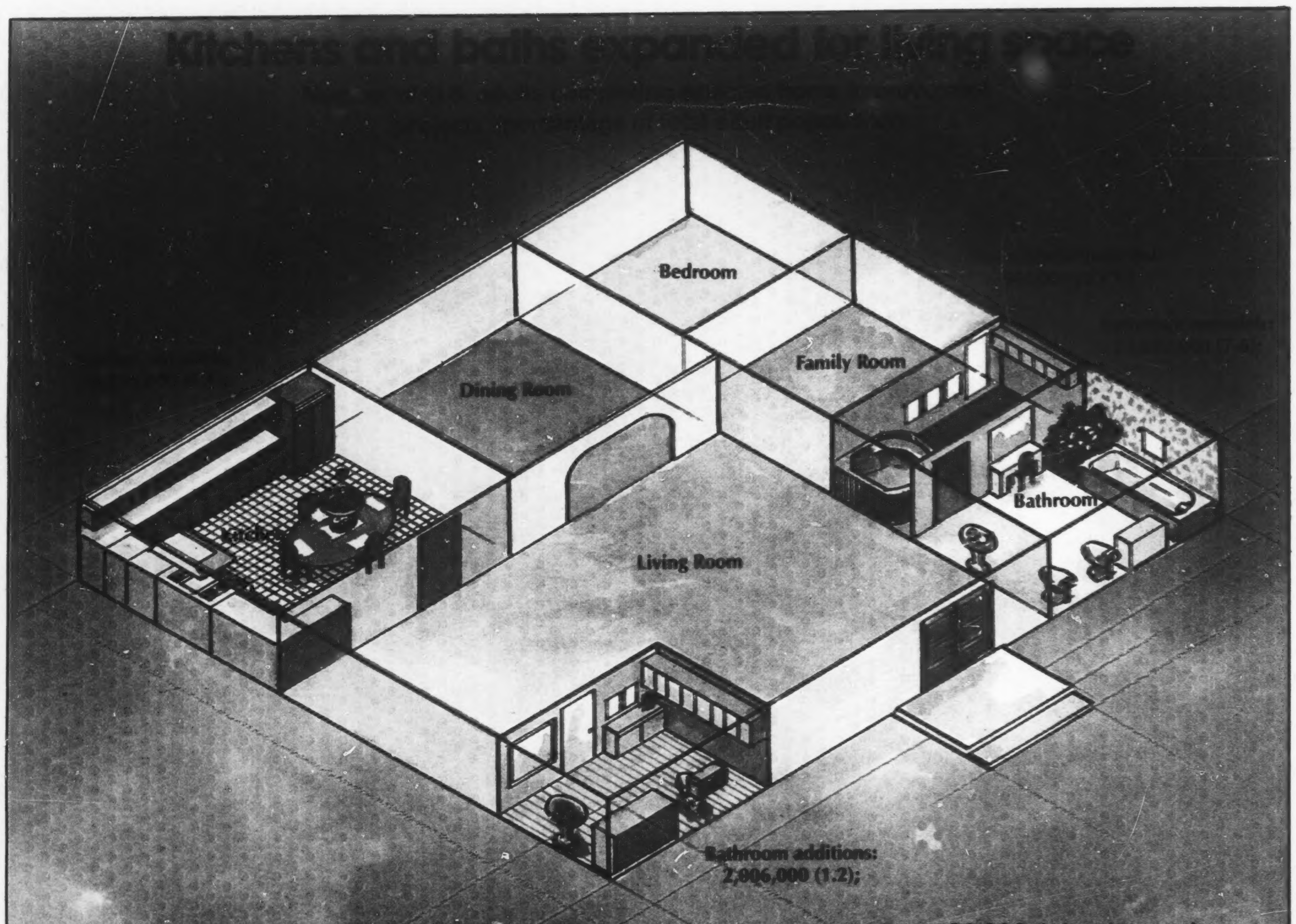
Supply One's strategy is to have a number of "specialty stores" within the larger store. It believes that by offering the merchandise itself, located immediately adjacent to the vignettes, it allows customers to make immediate decisions about buying. Supply One is considering expanding its bath departments to around 2,500 square feet to allow greater emphasis on big-ticket items;

- Chase-Pitkin has spent $300,000 to install new kitchen and bath "Design Centers" in its Marketplace, Fairport and Ridgemont, N.Y., units that place stronger emphasis on product groupings and promote higher-end merchandise.

The carpeted, 3,000-square-foot departments feature 10 bath displays (one with a marble bath) and include at least five working whirlpool tubs. These will be displayed adjacent to kitchen vignettes showing lines from Triangle Pacific and Schrock;

- Channel is adding new accessories such as countertops and wallpaper to its traditional kitchen and bath seminars this year.
- Lowe's rolled out a computer assisted kitchen design program to many of its stores this fall. The North Carolina chain has also recently introduced its own private label kitchen cabinet program that presents the merchandise as being useful for other rooms in the home (*see other story*); and
- All American Home Center has expanded the working hours of its "In-Home Man," who visits customers' homes to plan K&B installations.

(Continued on page 34)



The amount of remodeling home centers have done in recent years to upgrade their kitchen and bath departments reflects the rapid growth in K&B remodeling nationwide. A recent study, based on more than 20,000 interviews, shows nearly 24 million homes with remodeled kitchens or baths over the past two years. Another 3 million homes either added a bathroom or spa.

Source: RODALE'S PRACTICAL HOMEOWNER,

Rodale study:
Upscale homeowners revealed as active in remodeling projects

By John Caulfield
NHCN staff editor

NATIONAL REPORT — Nearly 23 million American households had their kitchens or baths remodeled over the past two years.

And according to a recent, comprehensive survey tracking home improvement activity during this period, the more-affluent homeowner living in a higher-priced home showed a remarkable propensity for engaging in these kinds of projects.

This upscale consumer appears to be what most home centers have been targeting as they have upgraded their stores' K&B departments in recent years with stronger displays, more skilled sales help and higher-end merchandise.

However, the study—conducted for a full year and released in December by Rodale Press' *Practical Homeowner* magazine—also shows that the kitchen and bath remodelers are quite different from each other.

For such projects as kitchen remodeling or adding a spa, statistical comparisons of actual job completions nationwide and project activity indices of homeowner groups by income, home value, time in residence, age, and geographic locale rarely match; whereas they are more closely aligned for those respondents who had remodeled an existing bath or added a new one to their homes.

These data, then, suggest that marketing kitchen and bath projects may be considerably more complicated than simply grouping displays of these products together as a means of attracting more female customers.

13.1 mil. bathrooms redone

The *Practical Homeowner* study polled more than 20,000 persons about which of 10 home improvement projects they engaged in since 1984. For the purposes of evaluating project selling for kitchen and bath, *NHCN* has excerpted data for four: remodeling a kitchen; remodeling a bath; adding a bathroom; and adding a hot tub/whirlpool spa.

The survey, which is nationally projectable for the more than 171 million adult population, showed that, for example, about 7.2 million baths and 5.5 million kitchens were remodeled by adults between the ages of 35 and 64. More than 1.2 million new bathrooms were added to homes in which the remodeler had lived for more than five years. About a half a million spas were installed by adults whose household income exceeds $50,000.

Taken together, middle-aged suburbanites with household incomes between $25,000 and $49,999, and homes worth between $50,000 and $99,999 were the ones doing the greatest number of kitchen and bath projects. The only job where this differed radically was in hot tub/whirlpool installation, where 60% of the total projects were completed by adults in the $50,000-plus income range, and more than half by those in homes worth more than $100,000.

But a different level of project activity emerges when one looks at the index developed by the study that takes the percentage of persons completing the job in specific demographic groups and compares it with the national average for each project for a project activity ratio.

This index uncovers potential consumer targets for dealers marketing kitchen and bath projects that go unseen when only numerical data are used.

For instance, nearly two of five respondents who remodeled their kitchens live in the suburbs, and another 35 percent live in urban areas. But those people living in rural markets were the only group to register a project activity index figure—119.2—higher than the national base of 100.

(Continued on page 34)

New England yard develops kitchen specialty store

By Elizabeth Brent
NHCN staff editor

SMITHFIELD, R.I. — Three years ago Douglas Lumber had no kitchen department, just a wholesale operation to service its builder trade. Today it runs its own kitchen specialty store known as Kitchens by Douglas which generates over $2 million, or 10% of its total sales.

Since 1984 and the opening of Kitchens by Douglas, the single-unit company has doubled its sales to $20 million, as building boomed in this area on the northern boundary of Rhode Island and Massachusetts.

For Douglas Lumber, starting a separate kitchen shop solved its overcrowded yard and store problem. The company rented two store fronts, just one mile away from the yard, and set up Kitchens by Douglas. It provides the company's 90% builder trade with a showroom to display kitchens and more importantly with five qualified designers to visit job sites and finalize sales.

"Its much easier and less risky to open a kitchen store than a lumberyard," said Steven Carlino, president. "You need a store front to rent, a few thousand dollars to spend on displays and you use the inventory at the old location."

The Kitchens by Douglas store is just that, yet this 2,400-square-foot unit moves between 10 and 24 complete kitchens each week, according to Leonard Maglione, manager of Kitchens By Douglas. In its first year it generated sales of $1 million, increased to $1.5 million in 1985 and topped $2 million last year.

It has gradually expanded its range of kitchen cabinets and appliances, bringing in more upper-end imported lines, and most recently added a range of European sinks and faucets.

The kitchen shop, like the lumberyard itself, has carved out a reputation for service and speedy delivery. It can supply domestic kitchens from its own 10,000-square-foot warehouse within 24 hours, and imported lines from its Rhode Island distributor within 48 hours. It recently added a third truck to facilitate deliveries which go out to job sites within a 40-mile radius.

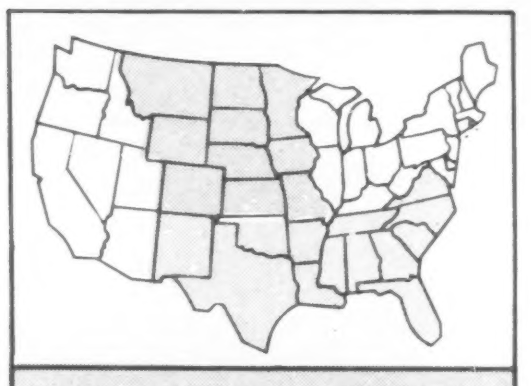
It makes the most of its small space, displaying five complete kitchens and four small vignettes. Its lower-end lines ofcabinets for a 9½-foot by 9½-foot kitchen sell for between $1,200 and $1,800. It also offers a domestic custom kitchen line by Kingswood at around $2,400. Its upper-end line is supplied by the German Läger kitchens which can be removed from the walls and taken when homeowners relocate.

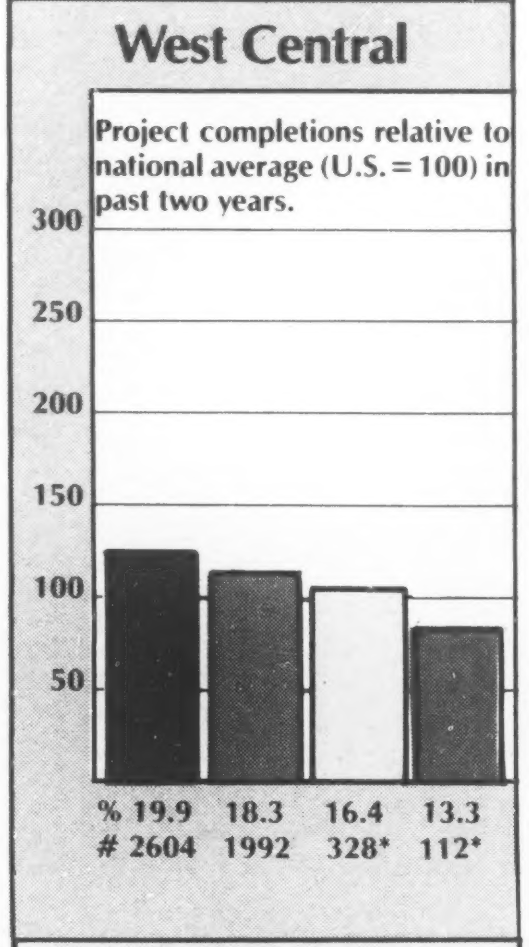
The trend towards European laminated cabinets encouraged Douglas to add a line of deeper European sinks last June.

Maglione, a former appliance salesman, has also extended the specialty store's appliance line to include products from General Electric, Whirlpool, Sub Zero, Thermidor, Genaire, and Modern Maid.

However, this fall the specialty store will merge with the lumberyard when Douglas Lumber relocates to its new 15,000-square-foot build-to-suit store on a site a few hundred yards from its kitchen unit.

But this won't be the end of Kitchens by Douglas, for the company plans to spin off at least eight kitchen stores in shopping malls in the area, and is currently considering leasing a site in a mall in the southern part of the state.




West Central
Project completions relative to national average (U.S. = 100) in past two years.
300
250
200
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% 19.9 18.3 16.4 13.3
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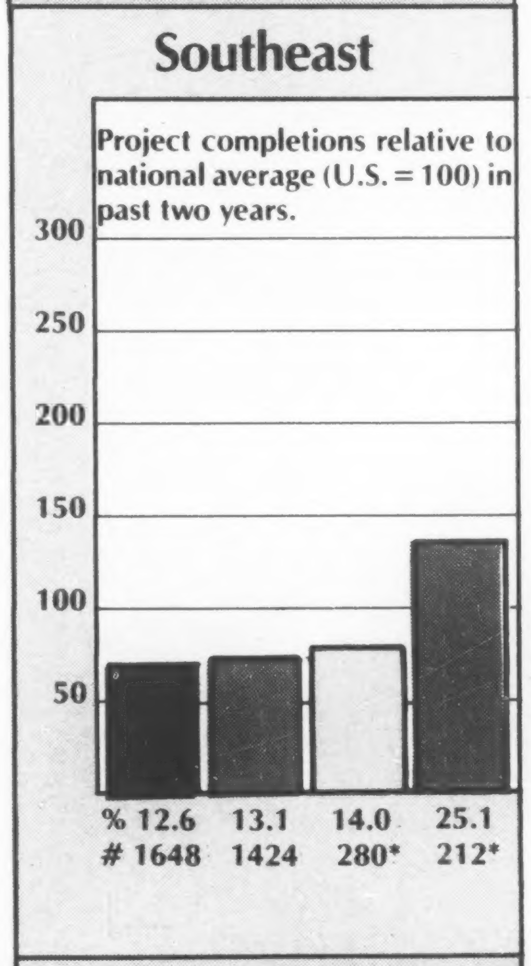
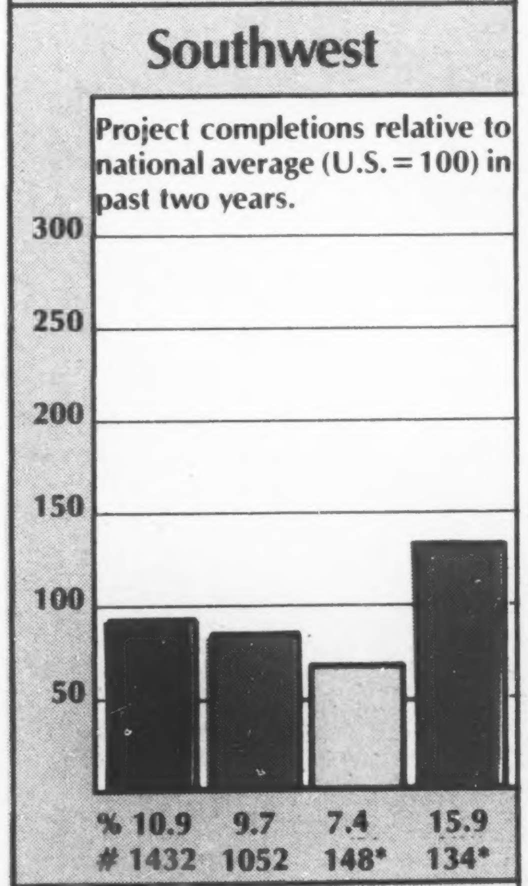




(%) Percentage of all U.S. projects completed in this region.

(#) Adults completing projects in region (in thousands).

*Projected from 50 or fewer respondents. Indicies rounded to nearest whole number.
Source: RODALE'S PRACTICAL HOMEOWNER, U.S. Profile of DIY Consumers, MRI-Fall 1986; *NHCN* chart.

■ Remodeling a bathroom
■ Remodeling a kitchen
▨ Adding a bathroom
■ Adding a hot tub/whirlpool/spa

Beyond the vignette in K&B selling

(Continued from page 32)

How to approach the task of selling kitchen and bath is more important this year than ever before. Most home centers report the boom in kitchen and bath sales that began several years ago has not abated. According to estimates by the National Kitchen and Bath Association, Hackettstown, N.J., close to 9 million homes will engage in kitchen or bath remodeling in 1987, which would be around 21% higher activity than a year ago.

Bill Mathisen, NKBA's director of training, said that bath remodeling alone will total $10.28 billion in 1987.

And, despite the top quality lines and services offered by specialty kitchen and bath outlets, consumers continue to flock to home centers for these products.

At the same time, many home centers report another trend continuing: Consumers are gradually upscaling their ideas of what a kitchen should look like.

Put the two phenomena together, and the natural result is a home center industry struggling with the task of developing project selling concepts for two departments where installations can be more complex than such projects as decks and garages.

Kitchen remodels come first

Most home centers report they have made more progress in project selling of kitchens than baths.

And no wonder. One of the incentives for developing project marketing undoubtably is that the ticket prices for kitchens can run $5,000 to $7,000 for a typical project. In contrast, a typical bathroom project—which has fewer items—might have a ticket price of $1,500 to $2,500.

It also seems consumers want to remodel kitchens first and are apt to turn to the home center for information on basic remodeling skills more so than when they remodel baths.

"The typical bath customer is the guy or gal who two years ago put in a kitchen," said Don Bauer, kitchen and bath buyer for Busy Beaver.

Joe DiVerniero, a buyer for the 35-store Lloyd Home & Building Centers, Danbury, Conn., agrees. "It's the same customer who wants to do both jobs. He just is more likely to do the kitchen first, the bath second."

And customers seem to act a little slower when deciding on kitchen remodeling, as compared with bath. So they need more hand holding.

"Kitchen customers are a lot more concerned about the length of time their kitchens will be torn up," said Tony Martinez, kitchen and bath buyer at All American Home Center, Downey, Calif. "Most customers have at least two bathrooms."

Regardless of when consumers do these jobs, it appears that they need a lot of help in visualizing what they want for their homes, and how it will be installed. In-store service, though, continues to be one of the weak spots in home centers' K&B project programs, according to manufacturers who point specifically to the lack of product knowledge many salespeople exhibit in selling their wares.

Customer service improves

However, as more chains rev up their project selling engines, customer service seems to be improving. Installation clinics remain a natural activity centered around the kitchen and bath vignettes. While home centers struggle with new concepts for enhancing project selling, they are also attempting to refine the clinic concept to enliven it and bolster the ticket price of resulting consumer projects.

Busy Beaver is increasing the number of items it includes in its customer clinics, and is tying in kitchen cabinet selection and installation clinics with advice on accessories such as faucets, sinks, wall coverings, lighting.

So does Channel. "Our clinic now is no longer just how to pick out a cabinet and hang it," said Carter Smith, kitchen buyer for the Whippany, N.J.-based chain.

This is a change made this year at Channel to help raise the ticket price of the projects resulting from the seminars. The cabinet selection part of the presentation is speeded up, and the remaining time is used to discuss countertops, wall coverings, floor coverings and other items.

For the first time last year, All American Home Center, Downey, Calif., made the role of its "In-Home Man" a full-time duty for the 40-hour week. Prior to the change, the employee who visits homes and advises on installations would do so in addition to other store duties.

"Salespeople often suggest the In-Home Man when customers can't seem to decide what to purchase," said Martinez, All-American's kitchen and bath buyer.

Anderson Lumber, Ogden, Utah, is proud that its kitchen department is not self service. It has found that employee-provided customer service drives kitchen sales and, to a lesser degree, bath sales, according to Hudson England, vp-merchandising.

"We have one well-trained person to give the service the customer needs in the kitchen department," said England. "Our business is generated by 25% consumer sales and 75% contractor sales, and our sales people have to know the entire kitchen-selling process, from explaining features to drawing a layout to installation."

Study shows kitchen and bath remodelers as distinct groups

(Continued from page 33)

The same was true for bathroom additions: The index for adults living in rural locales (who accounted for more than 37 percent of all the additions completed) was 158.0, while central city dwellers—who undertook all the bath additions during this period—could muster only an index of 92.3.

In all four projects, rural residents were the only ones whose activity index was above the national base of 100.

This pattern makes more sense when locale is paralleled with job completion based on worth of home. Adults living in homes worth $100,000 or more registered the highest project activity index in three of the four kitchen and bath jobs assessed (it was 163.8, based on a scale of 100, for bath additions), even though in all but one instance the highest number of actual jobs was completed by those living in houses worth $50,000 to $99,999, with at least one-third and up to 43 percent of each project being completed by people in the home value group.

Generally speaking, however, respondents in homes worth anywhere from under $25,000 to $100,000 achieved project activity indices higher than the national average.

Consumers living in the Middle Atlantic and West Central states managed to complete the highest number of projects in each job grouping, and also figured prominently when project activity is measured.

More than one-quarter of all kitchen remodels were completed over the past two years by Middle Atlantic dwellers, and more than one-fifth of bath remodelings and additions were done by this geographic group.

West Central residents did 18 percent of all kitchen remodels and about 20 percent of the bath retrofits.

(The one project where these data varied markedly was spa installation, 25 percent of which were completed by people living in the Southeast.)

The project activity index does not deviate as wildly from the actual job completions for these four projects as it did for other room additions (*NHCN*, Jan. 26). For example, Middle Atlantic residents had the highest project index for bath remodels. But there are some noteworthy differences between job completions and indices.

Consumers living in the New England market, who completed only 6.4 percent of all bath fixups and 8 percent of kitchen remodels, registered an index of 113.9 and 147.9, respectively, for the two projects. (The latter number was the highest index of any geographic group.)

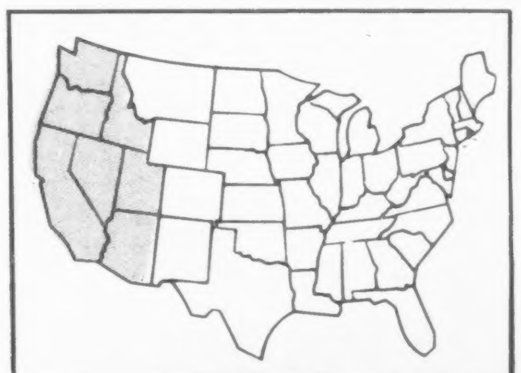
Where the greatest number of bath additions may have been completed by Middle Atlantic residents, but those living in the Pacific area made claim to the highest project activity index of 131.1. Pacific dwellers also had the highest index—149.2—for spa installation, followed by 138.6 for respondents in the Southeast and 137 for those in the Southwest.

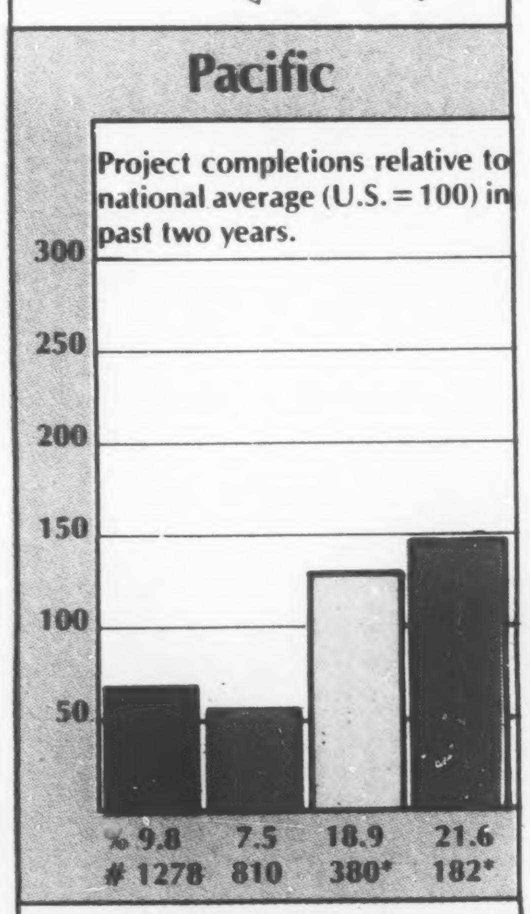
Generally speaking, though, at least four geographic regions had indices higher than the national average in every kitchen and bath project evaluated, a sign that these jobs are being conducted actively in all parts of the country.

The study also looked at job completions and activity among income groups and by time of residence in their dwelling. The conclusions to be drawn from these data are that while lower-middle income people are doing the bulk of the repairs on homes they've lived in for quite a while, more affluent consumers with shorter tenures in their homes are as active in project remodeling, if not more so.

At least one-third and up to 50 percent of all jobs were completed by those respondents with household incomes

(Continued on page 38)




Pacific
Project completions relative to national average (U.S. = 100) in past two years.
300
250
200
150
100
50
% 9.8 7.5 18.9 21.6
# 1278 810 380* 182*

(%) Percentage of all U.S. projects completed in this region.

(#) Adults completing projects in region (in thousands).

*Projected from 50 or fewer respondents. Indicies rounded to nearest whole number.
Source: RODALE'S PRACTICAL HOMEOWNER, U.S. Profile of DIY Consumers, MRI-Fall 1986; *NHCN* chart.

■ Remodeling a bathroom
■ Remodeling a kitchen
▨ Adding a bathroom
■ Adding a hot tub/whirlpool/spa

Affluent homeowners active as K&B DIYers

(Continued from page 34)

in the $25,000 to $49,999 range. More than half of the bath remodels were done by this income group.

But look how this compares with the group's project activity index: consumers with household incomes of $50,000 or more had the highest index in kitchen remodeling (151.8, far above the 112 for those in the $25,000 to $49,999 spectrum), and bath additions (125.8). Interestingly, though, the lower-income group was highest for bath remodels (128.3, just slightly ahead of the index of 126.6 for the $50,000-plus respondents). And the higher-income consumers, which completed 60 percent of all spa installations, registered an astronomically-high 286.6 index for this project.

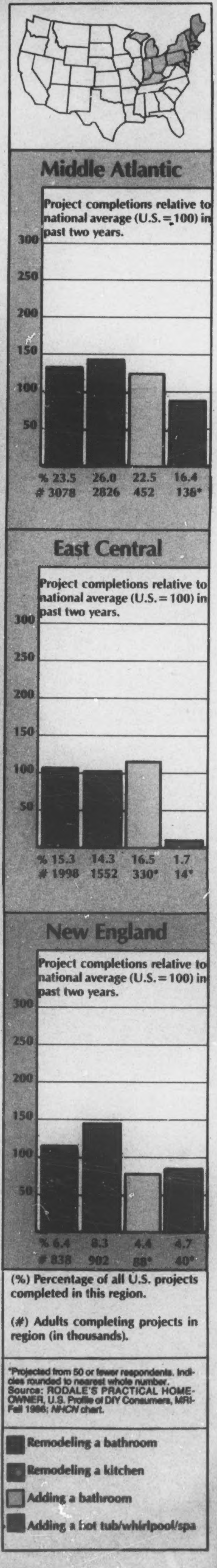
As far as longevity in the home is concerned, close to two-thirds of all jobs were done by those respondents who have lived in their current house for five years or more. But in every job, those with two-to-four years' residence in their homes had a higher project activity index.

This latter group completed around one-quarter of all the bath additions, but had an activity index of 149, compared with the 105.8 index for those in their homes five years or more who completed 62.2 percent of all bath additions over the past two years.

This pattern continued in kitchen and bath remodeling and spa installation as well.

The above information, provided to NHCN by Rodale Press' Practical Homeowner magazine, is a customized data tabulation culled from Mediamark research Incorporated's (MRI) Fall 1986 survey of U.S. consumers.

From September 1985 through August 1986, MRI interviewed 20,493 U.S. adults in their homes about their remodeling activity. The study's findings are nationally projectable to the 171,169,000 adult population.



(%) Percentage of all U.S. projects completed in this region.

(#) Adults completing projects in region (in thousands).

*Projected from 50 or fewer respondents. Indicies rounded to nearest whole number.
Source: RODALE'S PRACTICAL HOMEOWNER, U.S. Profile of DIY Consumers, MRI-Fall 1986; *NHCN* chart.

build your own place in the sun
sunspot

sunspot™

Easy to build. Even easier to sell.

Sunspot™ is a beautiful and affordable sunroom designed specifically for the growing DIY market. The interlocking panels make assembly fast and easy. The wide range of accessories will help you make more from every sale. Plus, the quality design and fast installation can attract contractor sales, too.

No inventory means high profitability.
Sunspot™ delivers twice the profit you're probably now getting from other displays because there is no inventory. Your orders are drop shipped in two weeks from our nationwide distribution network which also maintains a complete inventory of Sunspot™ replacement parts and accessories.

Patents Pending

Built and backed by ODL—a trusted name for 40 years.
For years, we've been making premium-quality entrance products and skylights. And we've built a strong reputation for service. With Sunspot™, we've not only added another high quality product, we've given you a complete merchandising program to help you sell it. From consumer ads, literature, and public relations to a sample kit, banners, posters, video tapes and a 4% co-op program. ODL Incorporated, 215 E. Roosevelt Ave., Zeeland, Michigan 49464, phone: (616) 772-9111.

build your own place in the sun
ODL sunspot™

Circle 29 on Reader Service Card

Wickes and Payless top list of big television advertisers in '86

NATIONAL REPORT — The 15 leading home centers using TV promotion spent more than $41 million on advertising in 1986. This was an increase of nearly 30% from 1985, according to data from the Television Bureau of Advertising (TvB).

There was some jockeying for position on TvB's list last year, as mergers and acquisitions changed the face of the industry. It was also a year when many companies reevaluated their use of the TV medium. Some cut back drastically on spending and siphoned funds into print and radio, while others spent more on TV to support their print circulars.

Wickes tops chart

Wickes Companies, Santa Monica, Calif., now heads the list of the top 15, spending more than $9 million on TV advertising, an increase of 40% from the previous year's $6.5 million. In 1986, Wickes added two strong TV users to its stable: Ole's Home Centers and Orchard Supply Hardware, which it acquired from W.R. Grace last June.

Ole's increased its TV spending by 49% from $1.8 million in 1985 to $2.8 million in 1986.

The San Jose, Calif.-based Orchard Supply increased its TV allotment by 46% in 1986 to maintain its market position against incoming competitors HomeClub and The Home Depot. It spent $1.6 million on TV in 1986, compared with $1.1 million in 1985, largely funded by vendors using designated co-op dollars.

Big advertiser acquired

Payless Cashways, Kansas City, Mo., dropped to second among the leading TV spenders in 1986. Yet its overall TV ad spending grew by 17% to $7.3 million. It could be assumed that Payless' television advertising will benefit from its acquisition in October of Knox Lumber, the St. Paul, Minn., chain which conducts one of the best television campaigns in the retail home improvement industry.

Builders Square, San Antonio, increased its TV spending by a meteoric 218% in 1986 to $6.26 million, which represents the most spent by any single chain (Wickes and Payless are a collection of chains under a corporate umbrella).

This took Builders Square to third position on the TvB list. Last year it was ranked eighth.

Builders Square used TV to support its rapid opening of 56 stores in 1986 and to strengthen its position in existing markets with the use of its "Trade Secret" campaign.

The Home Depot was notably absent from the top three TV spenders, after ranking second last year. Instead, the Atlanta-based warehouse company cut TV spending by 47% from $4.5 million to $2.4 million and fell to fifth place. It has replaced TV advertising in its California markets with heavy radio and print efforts.

TV ad spending reflects bold changes in marketing taken by different companies.

Lowe's, based in North Wilkesboro, N.C., siphoned off funds from its TV spending to increase the size of its tabloid circulars. As a result its TV use declined by 32% from $2.3 million in 1985 to $1.59 million in 1986.

Scotty's in Winter Haven, Fla., used TV for the first time in 1986 to support its monthly catalogs and increased its TV spending 234% from $400,000 to $1.58 million.

Electronic spending at Grossman's in Braintree, Mass., rebounded with the company's fate, as it emerged as a new firm from its parent's Chapter 11.

TV ad spending at Grossman's rose by 1,500% in 1986, from $102,500 in 1985 to $1.6 million last year.

The top 15 home center TV users is compiled by the Television Bureau of Advertising from an analysis of Broadcast advertising reports. The figures do not reflect co-op advertising dollars which is credited to the manufacturers and not included.

Leading TV Advertisers of 1986

Among home centers. Figures show dollars spent

	1986	1985	% change
Wickes Companies	**$9.249M**	**$6.561M**	**+41.0**
Builder's Emporium*	4.651M	3.300M	+41.0
Ole's Home Centers (L.A., Phoenix)	2.774M	1.855M	+49.0
Orchard Supply*	1.603M	1.100M	+46.0
Wickes Building Supply*	219,500	304,600	−28.0
Payless Cashways	**7.327M**	**6.236M**	**+17.0**
Furrow's*	2.500M	1.816M	+38.0
Knox Lumber (Minneapolis)	221,400	270,100	−18.0
Lumberjack (Fresno, Sacramento)	737,200	604,500	+22.0
Payless Cashways*	3.387M	3.084M	+10.0
Somerville Lumber (Boston, Providence)	481,340	460,760	+4.0
Builders Square*	6.262M	1.967M	+218.0
Pay 'N Pak*	2.526M	2.303M	+10.0
Home Depot*	2.409M	4.566M	−47.0
National Lumber (L.A.)	1.783M	1.975M	−10.0
Grossman's*	1.640M	102,500	+1,500.0
Lowe's*	1.584M	2.338M	−32.0
Scotty's	1.335M	400,000**	+34.0
Menard Cashway*	1.314M	814,300	+61.0
HomeClub*	1.298M	1.033M	+26.0
Plywood Minnesota*	1.229M	1.468M	−16.0
Valu Home Centers (Buffalo)	1.212M	733,500	+65.0
Handy Andy (Chicago, Milwaukee)	1.095M	916,900	+19.0
Pergament (N.Y.)	1.067M	402,400	+165.0
TOTAL	**41.337M**	**31.819M**	**+29.9**

Source: TV Bureau of Advertising
*Multi-market
**Updated by Scotty's
NOTE: Co-op not included

A STANLEY DOOR MAKES ANY HOUSE BETTER.

To find out why your customers are already sold on our doors before they enter yours, call Kim Bray at (313) 528-1400

STANLEY

Stanley Door Systems

Circle 074 on Reader Service Card

ORGANICLEAR TM-5

Want Decay To Go Away?

Use ORGANICLEAR Wood Preservatives

For Wood Above & Below Ground

Stops Mold, Mildew, Fungus, Wood Rot & Decay

Prevents Termite Attack

For Details, Call: 1-800-544-7650
(WI) 1-800-792-3504, Ext. 437

USOL

Standard Tar Products Co., Inc.
Milwaukee, WI 53209

Circle 075 on Reader Service Card

HOW TO BOOST YOUR GROWTH IN METAL CHIMNEY AND GAS VENT.

Mail this ad or call our splendid 800 number.

Name
Company
Address
City/State
Zip Phone ( )

25 YEAR WARRANTY

800-227-8446 (In Calif.: 707-446-1786.)
SIMPSON DURA-VENT P.O. Box 1510, Vacaville, CA 95688-1510

Circle 076 on Reader Service Card

Sales are in the bag with Knox promo

ST. PAUL, Minn. — A brown grocery bag helped Knox Lumber vary its print ads and stage a special sale.

The printed bag was inserted in newspapers instead of regular circulars, and folded so that its 7-inch red letters caught the eye, advertising 25% off all merchandise that fits inside, not including power tools.

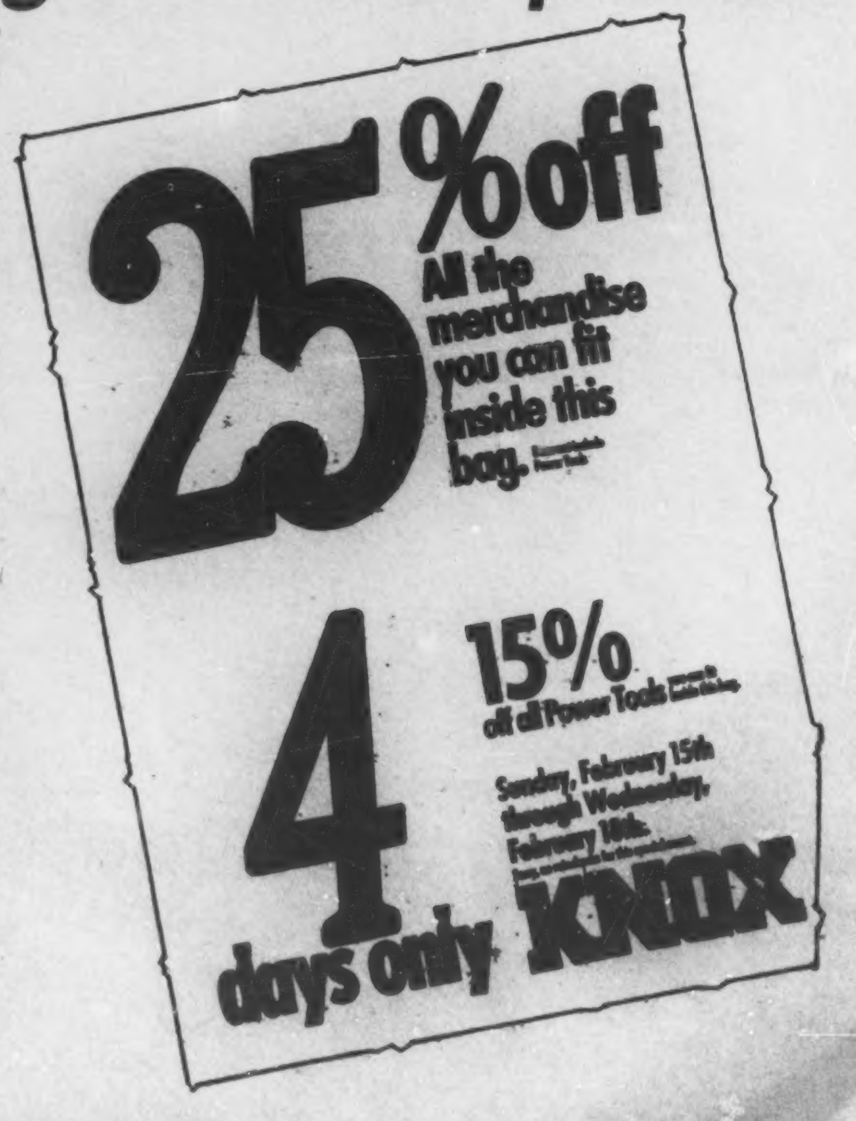
The special ran four days from Sunday, Feb.15 through Wednesday, Feb. 18, in all markets. However, the sales results were difficult to assess.

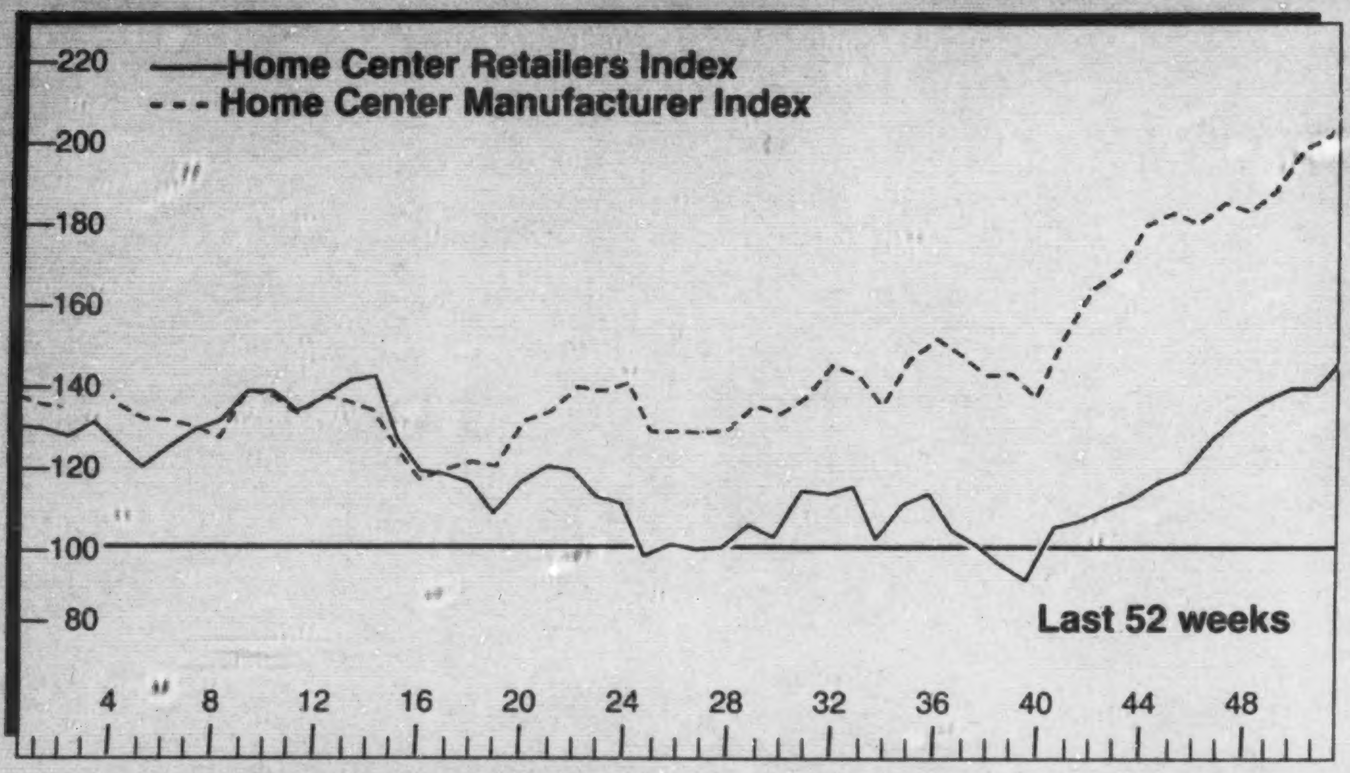
"Sales were good but it's hard to say what [came from] the sale and what [came from] the good weather," said Mike Carver, vice president. The promotion coincided with rare 40-degree temperatures.

"It's amazing what people will try to get into the bag. One guy put in a big coil of chain and could hardly lift it," Carver said.

Knox had tested the bag idea in July in the Twin city markets running it for two days at the end of the week. The second time they used it in all ten stores.

"Its not that cheap and not that easy to do," said Carver. Inserting it in the Minneapolis paper, *The Pioneer Press*, caused such problems that the newspaper refused it in February.


25%off
All the merchandise you can fit inside this bag.
4 days only
15% off all Power Tools
Sunday, February 15th through Wednesday, February 18th.
KNOX

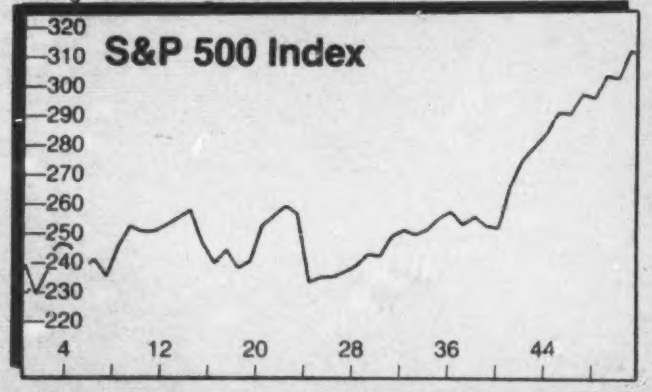


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
4-3-87	(100)	%	%
INTERCO Inc .... N	2,882	689.8	13.3
Certain-teed .... N	42,768	686.0	51.4
Payless Cash .... N	7,606	313.6	44.4
Lewis Palmer .... M	186,993	306.2	9.7
Hechinger A .... M	28,415	204.2	.0
Stanline Inc .... M	23,749	195.7	- 1.4
Pay N Pak .... N	3,815	191.3	5.2
Mich General .... A	19,510	176.0	1.5
Wickes Cos .... A	2,837	166.8	12.9
Home Depot .... N	11,022	166.0	5.7

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 4-3	2-Week Price Change	Total 2-Week Volume
Winners 4-3-87	$	%	(100)
Pay N Pak .... N	20.25	51.4	42,768
Mich General .... A	1.63	44.4	7,606
Am Consum Prods .... M	10.50	15.1	424
Stanline Inc .... M	12.75	13.3	2,882
Lewis Palmer .... M	9.88	12.9	2,837
Wickes Cos .... A	4.25	9.7	186,993
Hechinger B .... M	23.75	8.0	2,066
K mart Cp .... N	67.75	7.8	68,160
Champ Intl .... N	42.13	7.0	74,140
Grace W R .... N	66.25	6.4	31,133
Losers	$	%	(100)
Nat'l Lumber .... M	6.50	- 7.1	332
Scotty's Inc .... N	14.13	- 6.6	1,811
Zayre Corp .... N	28.38	- 5.8	28,110
Svc Merchandise .... M	6.63	- 5.4	11,688
DeSoto Inc .... N	39.00	- 3.7	566
Thos Inds .... N	21.63	- 3.4	721
Waxman Ind .... M	10.88	- 3.3	1,004
Walter, Jim .... N	58.88	- 3.1	7,565
Black & Decker .... N	19.75	- 3.1	25,952
Macmillan Bloedel .... M	21.25	- 2.7	22,052

National Home Center News.

HOME CENTER MARKET SUMMARY

	Stock Market											Financial Update																	
	Price							Volume				P/E Ratio	Indicated Divd. Rate		Latest Report			Latest Quarter						Year-to-Date					
	2-Weeks Ended	2-Weeks Change		2-Week Range		52-Week Range		2-Weeks Shares Traded		12-Week Avg. Vol.	Volume Trend				New		Date	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.	
Company and Market	4-03-87	Amt.	Pct.	High	Low	High	Low	Total	% Out	As % Out	Change		Amt.	Yld.	Report	Period	Ended	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
4-3-87	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Color Tile .... M	30.00	.00	.0	30.00	30.00	33.00	21.00	0	.00	.00	NC	19.0	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Forest City Ent .... A	38.25	- .75	- 1.9	38.88	38.00	39.38	28.75	79	.10	.10	.0	23.9	.30	.8	.....	9 mos.	10-86	62.4	- 14.3	4.0	NC	.50	NC	193.7	- 3.2	10.6	194.4	1.33	195.6
Grace W R .... N	66.25	4.00	6.4	66.88	61.75	66.88	45.25	31,133	7.49	3.57	109.8	22.5	2.80	4.2	.....	9 mos.	09-86	1321.2	- 24.9	4.4	- 82.6	.10	- 75.6	3982.2	- 24.1	87.7	- 14.2	2.08	6.1
Grossman's Inc .... M	10.25	- .25	- 2.4	10.75	9.50	11.25	6.75	1,672	.84	.83	1.2	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger A .... M	23.25	1.25	5.7	23.75	20.75	23.59	16.00	11,022	10.08	3.79	166.0	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B .... M	23.75	1.75	8.0	23.75	20.75	23.75	16.25	2,066	1.26	.58	117.2	25.8	.06	.3	.....	fiscal	01-87	140.3	20.1	8.7	31.8	.28	27.3	588.4	22.8	28.3	22.5	.92	17.9
Home Depot .... N	29.00	.00	.0	30.75	26.38	30.75	14.25	28,415	10.22	3.36	204.2	32.2	.00	.0	NEW	fiscal	01-87	273.9	34.5	7.7	196.2	.27	145.5	1011.5	44.4	23.9	191.5	.90	172.7
INTERCO Inc .... N	45.13	- .63	- 1.4	46.00	43.13	47.63	36.63	23,749	8.34	2.82	195.7	14.5	1.60	3.5	.....	9 mos.	11-86	757.3	9.0	29.8	10.4	.94	9.3	1962.2	1.8	67.6	10.1	2.14	9.7
K mart Cp .... N	67.75	4.88	7.8	67.75	61.50	67.75	43.25	68,160	5.11	2.47	106.9	15.6	1.74	2.6	.....	fiscal	01-87	6934.7	2.7	301.4	2770.5	2.11	2244.4	23812.4	6.2	598.7	170.7	4.35	151.4
Lowe's Cos .... N	32.13	.88	2.8	32.75	30.13	41.50	22.50	11,266	2.84	1.63	74.2	22.8	.40	1.2	.....	fiscal	01-87	497.4	4.6	10.0	- 11.5	.25	- 19.4	2283.5	10.2	55.1	- 7.7	1.41	- 14.0
Mich General .... A	1.63	.50	44.4	1.88	1.13	4.75	1.00	7,606	4.26	1.03	313.6	NE	.00	.0	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Nat'l Hardgoods .... M	9.50	.25	2.7	9.50	8.75	10.00	5.69	319	2.59	1.47	76.2	22.6	.00a	.0	.....	9 mos.	10-86	8.4	12.0	.1	.0	.07	- 12.5	25.8	5.3	.5	25.0	.35	20.7
Nat'l Lumber .... M	6.50	- .50	- 7.1	7.00	6.50	7.50	4.00	332	.59	.94	- 37.2	NE	.00	.0	.....	*	10-86	NC	NC	NC	NC	NC	NC	111.1	NC	(.5)	NC	(.08)	NC
Pay N Pak .... N	20.25	6.88	51.4	20.50	13.13	20.50	9.50	42,768	42.76	5.44	686.0	35.5	.40	2.0	NEW	fiscal	02-87	83.2	11.7	.4	- 69.2	.04	- 69.2	398.4	19.4	5.7	- 30.5	.57	- 30.5
Payless Cash .... N	25.88	.38	1.5	26.88	24.50	27.50	15.88	19,510	5.63	2.04	176.0	20.7	.16	.6	.....	3 mos.	02-87	332.1	21.0	3.5	45.8	.10	42.9	332.1	21.0	3.5	45.8	.10	42.9
Scotty's Inc .... N	14.13	- 1.00	- 6.6	15.25	14.00	18.13	12.00	1,811	1.25	.79	58.2	17.4	.52	3.7	.....	6 mos.	12-86	125.6	4.1	2.4	- 14.3	.16	- 15.8	244.3	5.8	4.0	- 28.6	.27	- 30.8
Sears, Roebuck .... N	54.38	1.88	3.6	54.88	49.75	54.88	39.00	100,769	2.70	1.37	97.1	15.0	2.00	3.7	.....	fiscal	12-86	12969.7	7.5	543.0	- 1.7	1.45	- 3.3	44281.5	8.8	1351.3	3.7	3.62	2.5
Svc Merchandise .... M	6.63	- .38	- 5.4	6.88	6.50	14.88	6.25	11,688	3.51	4.60	- 23.7	NE	.08	1.2	.....	fiscal	12-86	1114.1	.8	21.9	- 24.7	.66	- 24.1	2527.3	.0	(46.9)	- 100.0	(1.41)	- 100.0
Std Brd Pnt .... N	25.00	.50	2.0	25.00	23.50	27.00	19.38	5,138	4.57	2.89	58.1	18.8	.58	2.3	NEW	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Supermkts Gen .... N	44.63	2.38	5.6	45.75	43.00	45.75	22.50	59,876	15.54	6.25	148.6	27.9	.28	.6	NEW	fiscal	01-87	1434.5	5.8	19.1	- 11.6	.50	- 16.7	5507.9	7.5	60.9	- 4.4	1.60	- 10.1
Wickes Cos .... A	4.25	.38	9.7	4.38	3.75	7.00	3.25	186,993	7.88	1.94	306.2	15.2	.00	.0	NEW	fiscal	01-87	1408.3	NC	4.4	- 79.0	(.02)	- 100.0	4770.0	70.0	73.9	81.6	.28	154.5
Wolohan Lumber .... M	13.00	- .25	- 1.9	13.13	12.25	13.25	7.50	3,547	6.05	2.30	163.0	14.4	.20	1.5	.....	fiscal	12-86	52.5	40.4	1.7	30.8	.29	31.8	194.4	29.0	5.3	51.4	.90	50.0
Zayre Corp .... N	28.38	- 1.75	- 5.8	30.25	26.50	43.88	20.75	28,110	4.76	2.90	64.1	18.3	.32	1.1	.....	fiscal	01-87	1777.0	32.4	43.8	20.3	.73	17.7	5350.6	32.6	92.4	- 2.3	1.55	- 4.3
Wholesalers																													
Moore Handley .... M	9.25	.50	5.7	9.25	8.25	19.25	6.75	259	1.03	1.66	- 38.0	18.1	.00	.0	.....	fiscal	12-86	20.7	19.7	.2	.0	.07	- 36.4	85.1	23.0	1.2	71.4	.51	13.3
Lewis Palmer .... M	9.88	1.13	12.9	9.88	8.88	9.88	7.25	2,837	7.23	2.71	166.8	29.9	.28	2.8	.....	fiscal	01-87	46.8	53.9	.1	.0	.02	100.0	187.2	33.0	1.3	44.4	.33	43.5
Stanline Inc .... M	12.75	1.50	13.3	14.00	10.50	12.75	7.84	2,882	16.98	2.15	689.8	13.1	.32b	2.5	.....	3 mos.	01-87	14.0	4.5	.3	.0	.20	33.3	14.0	4.5	.3	.0	.20	33.3
Manufacturers																													
Allegheny Intl .... N	24.63	.13	.5	24.75	24.38	24.75	11.38	6,693	6.22	8.85	- 29.7	NE	.00	.0	.....	fiscal	12-86	NC	NC	(164.6)	NE	(13.20)	NE	1327.1	- 35.5	(164.0)	NE	(15.24)	NE
Am Consum Prods .... M	10.50	1.38	15.1	10.50	10.00	10.50	8.50	424	2.20	1.85	18.9	19.4	.00	.0	.....	fiscal	12-86	9.2	13.6	.2	100.0	(.01)	- 100.0	35.0	12.9	.7	133.3	.54	68.8
Am Standard .... N	49.50	- .50	- 1.0	51.88	45.75	51.88	36.00	7,825	2.95	1.36	72.8	9.4	1.60	3.2	.....	fiscal	12-86	769.7	- .6	33.0	- 9.1	1.00	8.7	2997.7	2.9	193.2	58.2	5.28	70.3
Am Woodmark .... M	16.50	- .13	- .8	17.13	15.88	17.13	10.00	623	.90	.92	- 2.2	16.2	.00	.0	.....	9 mos.	01-87	26.2	7.4	1.2	9.1	.16	- 30.4	86.5	18.5	5.3	60.6	.79	17.9
Armstrng Wrld .... N	41.38	- .75	- 1.8	44.00	39.88	44.00	24.88	12,602	2.62	1.28	104.7	16.3	.84	2.0	.....	fiscal	12-86	496.4	16.5	30.1	33.2	.63	34.0	1920.3	14.4	122.4	21.3	2.54	21.0
Black & Decker .... N	19.75	- .63	- 3.1	20.25	18.00	25.25	14.50	25,952	4.47	3.12	43.3	42.9	.40	2.0	.....	3 mos.	12-86	529.0	1.4	22.4	7.2	.38	- 7.3	529.0	1.4	22.4	7.2	.38	- 7.3
Boise Cascade .... N	84.25	.50	.6	85.00	78.75	85.00	51.50	13,676	4.69	2.95	59.0	25.4	1.90	2.3	.....	fiscal	12-86	952.0	6.6	31.9	67.9	1.04	70.5	3740.0	.1	101.5	- 2.7	3.32	- 3.8
Certain-teed .... N	38.25	1.88	5.2	38.63	35.13	38.88	24.63	3,815	2.01	.69	191.3	12.7	.90	2.4	.....	fiscal	12-86	268.6	2.6	10.7	2.9	.57	3.6	1114.2	.4	57.3	7.3	3.02	10.6
Champ Intl .... N	42.13	2.75	7.0	43.13	38.50	43.13	22.50	74,140	7.88	3.00	162.7	20.3	.64	1.5	.....	fiscal	12-86	1058.0	- 11.4	64.5	69.3	.69	86.5	4387.6	- 24.0	200.8	23.1	2.08	30.8
DeSoto Inc .... N	39.00	- 1.50	- 3.7	40.50	38.25	43.75	34.25	566	1.18	.62	90.3	47.6	1.40	3.6	.....	fiscal	12-86	77.8	3.0	.4	- 86.2	.09	- 85.0	413.8	2.0	3.9	- 72.5	.82	- 72.4
Emhart Corp .... N	40.63	.00	.0	40.75	39.00	43.25	30.75	4,472	1.44	.94	53.2	NE	1.40	3.4	.....	fiscal	12-86	583.9	20.4	23.4	16.4	.66	- 9.6	2094.0	17.9	(10.0)	- 100.0	(.32)	- 100.0
Georgia-Pacific .... N	50.75	- 1.13	- 2.2	52.75	47.50	52.75	28.00	67,177	6.47	2.44	165.2	18.9	1.00	2.0	.....	fiscal	12-86	1781.0	12.0	83.0	2666.7	.75	NE	7223.0	7.5	296.0	67.2	2.69	74.7
Insilco Corp .... N	23.75	.13	.5	24.38	22.88	26.25	17.38	10,920	5.26	2.33	125.8	15.0	1.00b	4.2	.....	fiscal	12-86	172.2	- 1.4	8.0	122.2	.44	175.0	745.1	- 8.2	33.3	27.6	1.58	21.5
La Pacific .... N	38.38	.38	1.0	38.88	35.50	38.88	22.09	12,408	3.27	2.81	16.4	22.3	.80b	2.1	.....	fiscal	12-86	382.2	22.3	16.8	147.1	.45	150.0	1506.2	19.5	64.9	154.5	1.72	152.9
Macmillan Bloedel .... M	21.25	- .59	- 2.7	22.00	19.53	21.84	6.75	22,052	2.36	.90	162.2	NA	.42	NA	.....	fiscal	12-86	542.2	- 9.9	23.3	14.2	.16	6.7	2511.7	7.5	133.3	210.7	1.07	494.4
Manville Cp .... N	2.38	.00	.0	2.50	2.25	8.13	1.63	7,772	3.24	2.70	20.0	1.0	.00	.0	.....	fiscal	12-86	463.1	- 2.4	17.3	- 17.2	.46	- 24.6	1920.3	2.1	81.2	NE	2.34	NE
Masco Corp .... N	40.00	.50	1.3	40.88	37.25	40.88	23.50	19,854	1.54	.91	69.2	25.6	.36	.9	.....	fiscal	12-86	450.0	- 36.2	55.4	- 60.8	.41	- 42.3	1452.0	25.8	203.4	23.6	1.56	21.9
Mor-Flo Inds .... M	13.00	- .25	- 1.9	13.38	13.00	18.13	12.00	76	.30	.27	11.1	40.8	.01	.1	.....	fiscal	12-86	47.3	- 10.4	(1.0)	- 100.0	(.38)	- 100.0	195.2	- 5.2	.8	- 81.0	.32	- 80.6
Newell Co .... N	37.00	.50	1.4	37.13	34.50	37.13	24.00	1,077	.94	.84	11.9	17.1	.84	2.3	.....	fiscal	12-86	105.5	9.2	7.4	34.5	.63	3.3	401.4	14.7	24.0	27.0	2.17	3.8
Owens Corn .... N	25.63	- .63	- 2.4	28.00	24.13	30.88	8.88	22,192	5.92	6.23	- 5.0	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem .... A	16.88	- .13	- .7	17.38	16.25	18.13	10.00	1,991	2.48	2.11	17.5	18.3	.12	.7	.....	fiscal	12-86	57.5	32.2	2.1	90.9	.20	33.3	226.4	36.0	8.1	92.9	.92	39.4
Pope & Talbot .... N	40.63	.88	2.2	41.13	37.75	43.50	17.75	4,744	7.90	3.90	102.6	15.4	.88	2.2	NEW	fiscal	12-86	81.9	9.3	8.4	1300.0	1.40	1300.0	310.2	- 4.6	15.8	135.8	2.63	136.9
Potlatch Cp .... N	81.50	1.00	1.2	83.75	77.88	83.75	41.25	2,944	2.22	1.32	68.2	16.4	1.68	2.1	.....	fiscal	12-86	243.3	7.0	20.2	359.1	1.45	457.7	976.4	2.7	70.0	85.7	4.98	127.4
Sherwin-Wms .... N	36.88	- .50	- 1.3	38.50	36.50	38.50	22.75	10,287	2.28	1.29	76.7	16.0	.56	1.5	NEW	fiscal	12-86	350.5	- 32.3	29.2	158.4	.80	233.3	1552.9	- 29.2	106.0	42.1	2.31	42.6
SW Forest Ind .... N	32.13	.25	.8	32.13	31.88	32.13	11.88	10,697	8.71	9.08	- 4.1	NE	.00	.0	.....	fiscal	12-86	169.9	.4	5.7	NE	.57	NE	631.5	- 9.8	(1.7)	NE	(.62)	NE
Stanley Works .... N	34.13	- .63	- 1.8	35.00	[illegible]	35.00	23.19	7,291	1.75	1.20	45.8	18.3	.76	2.2	.....	fiscal	12-86	256.2	- 20.5	23.5	- 8.6	.54	- 12.9	1371.3	13.5	78.8	.6	1.86	- 2.1
Thos Inds .... N	21.63	- .75	- 3.4	22.63	21.13	22.63	15.50	721	.73	.75	- 2.7	16.8	.68b	3.1	.....	fiscal	12-86	75.6	- 2.6	3.2	- 23.8	.32	- 23.8	296.2	- 4.3	12.8	21.0	1.29	- 21.8
USG Corp .... N	41.75	- .50	- 1.2	42.75	39.25	46.50	32.00	11,747	1.85	1.24	49.2	11.8	1.12	2.7	.....	fiscal	12-86	695.1	9.4	56.4	4.6	.93	13.4	2723.7	7.8	225.4	.7	3.54	5.4
Walter, Jim .... N	58.88	- 1.88	- 3.1	62.25	56.75	62.25	39.50	7,565	2.38	1.37	73.7	11.2	1.40	2.4	NEW	6 mos.	02-87	513.5	- .7	28.0	53.0	.86	230.8	1109.4	2.8	65.9	31.8	2.03	43.0
Waxman Ind .... M	10.88	- .38	- 3.3	11.50	10.50	13.25	6.34	1,004	1.59	2.22	- 28.4	13.6	.08	.7	.....	6 mos.	12-86	27.0	15.9	.8	80.0	.01	- 94.1	53.7	19.8	1.6	45.5	.25	- 28.6
Weyerhaeuser .... N	56.50	- .38	- .7	59.38	54.00	59.38	30.50	66,000	5.06	2.43	108.2	29.6	1.30	2.3	.....	fiscal	12-86	1450.6	17.2	96.1	51.1	.70	62.8	5652.0	8.6	276.7	38.3	1.91	44.7

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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National Home Center News®

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Asian currency, tariff turbulence hits industry

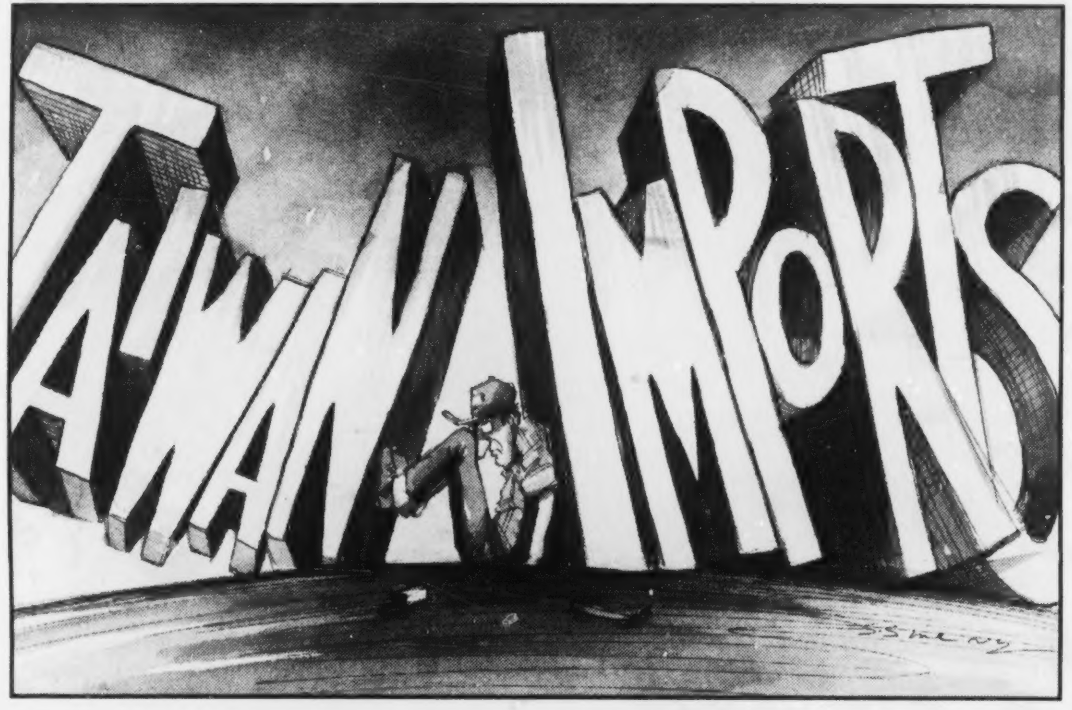
Retailers anxious over U.S. sanctions

By John Caulfield
NHCN staff editor

NATIONAL REPORT — The imposition of trade sanctions by President Reagan against certain Japanese products is unlikely to have a major impact on home centers selling power tools, the suppliers bringing them into the country, or American consumers buying these products.

The consensus among suppliers and dealers is that the power tools included among those

(Continued on page 95)



Rise in Taiwan dollar hikes price of imports

By Gary S. Ruderman
NHCN staff editor

NATIONAL REPORT — Negotiations between finance ministers of developing Asian countries and U.S. officials are hitting home center retailers in the pocketbook.

The U.S. dollar's "negotiated" decline in relation to the Taiwan dollar, resulting in a 15 percent appreciation of the Taiwan dollar last year, has meant price hikes of between 4 percent and 7 percent on imports sold at home cen-

(Continued on page 96)

The *NHCN* Top 10 for 1986

Chain	Total Sales (mil $)	% Change 85-86	Store Count
1. Lowe's	2,283	+10	300
2. Wickes Cos.	1,594	+38	397
3. Payless Cashways	1,528	+10	181
4. The Home Depot	1,011	+44	60
5. Grossman's	1,007	+15	272
6. Channel Home Centers	725	0	201
7. Builders Square	700	+92	87
8. 84 Lumber	683	+ 5	373
9. Sutherland	605	+ 5	96
10. Hechinger	588	+23	61
Top 10 Chains	**10,724**	**+24**	**2,028**

Source: *NHCN* TOP 150 - Total Sales *NHCN* Chart

Revenues grew an average of 24 percent for the top 10 chains in 1986.

Volatile period sparks '86 industry realignment

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — In one of the industry's most volatile periods, 1986 will probably be remembered as the year of realignment.

Some of the more acquisitive companies turned out to be Wickes Cos., Payless Cashways, Handy Andy and Channel. Suppliers such as Stanley Works, Nortek, Newell Cos., Waxman Industries and Masco also added to their stable of companies through acquisitions. And mergers left three companies—Service Merchandise, Forest City and W.R. Grace—on the outside looking in.

Consolidation continues

The industry's consolidation moved forward inexorably, and it appears the once-fragmented home improvement industry is, through all these corporate maneuverings, taking on some monolithic features.

(Continued on page 32)

NHCN census shows top chain growth

Data collected by *NHCN* reveals that:

- Average revenue growth was 24 percent for the top 10 companies, but only 9 percent for the top 150.
- Companies doing over $20 million were responsible for 30 percent of the nation's $74 billion in building materials and hardware sales last year.
- Lowe's, the largest home center chain, accounted for 3.1 percent of the nation's building materials and hardware sales.
- The top 10 companies were responsible for 48 percent of the top 150 companies' $22.5 billion revenues.
- Employment increased 5.6 percent to 186,999 people at the top 150 chains.
- Stores increased 4.7 percent to 4,739 units at the top 150 chains.
- Sales per store ranged from $1.4 million to $16.9 million for the top 25.
- DIY sales per square foot ranged from $63 to $315 for the top 25 firms.
- The top 150 companies intend to maintain their store count this year.

The NHCN census section begins on page 27.

Busy Beaver could be placed on block

Dixons Group exploring options

By an NHCN staff editor

PITTSBURGH — Dixons Group, the London-based retail and financial conglomerate that gained a controlling interest in Cyclops, parent firm of Busy Beaver Building Centers, has filed a statement with the SEC stating that it may sell the 11-store home center chain.

"All we've actually done is ask our investment advisor, Morgan Stanley, to review a series of alternatives," said Gerald Corbett, Dixons' corporate financial director. "And one of those scenarios could be that Busy Beaver may be better off being run by another firm."

Corbett insisted, however, that Dixons was "extremely pleased" with Busy Beaver's financial performance, and was "excited" about its opening three prototype units in Buffalo, N.Y., this month.

But, he noted, "one of the options we're having explored is whether, for the right price,

(Continued on page 95)

BUSY BEAVER

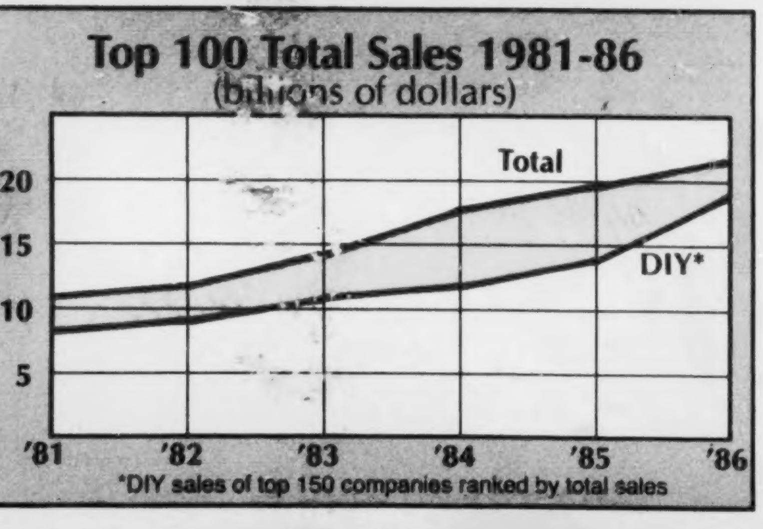
The London-based Dixons Group has Morgan Stanley studyng a number of options for its recently acquired Cyclops division that could include the sale of Cyclops' Busy Beaver chain. NHCN *photo*

INSIDE

SUPER
RADIAL BELT

The *NHCN* Annual Report on the Home Center Industry
The big chains got bigger in 1986, as consolidation continued to move the industry into its latest stage of maturity. The top 10 chains grew in sales by 24 percent, and the top 150 companies produced $22.5 billion in volume, an 11 percent gain over 1985.

Top 100 Total Sales 1981-86
(billions of dollars)



*DIY sales of top 150 companies ranked by total sales

NEWSBREAKS

RICKEL PARENT LBO: Management plans to buy Supermarkets General with Merrill Lynch for $1.8 billion, to deflect a hostile bid from Dart Group. Plans for Rickel weren't announced.

ACO DEBUTS SIX IN ONE DAY: Aco Hardware, Farmington Hills., Mich., opened six hardware stores simultaneously in Michigan April 23, a hardware industry record.

DEPOT'S NEW HQ: The Home Depot has moved into a new building at 2727 Paces Ferry Road, Atlanta.

INDUSTRY UPDATE

Sutherland seeks Calif. buyer

LOS ANGELES — Sutherland Lumber, which closed its only California stores in the City of Industry, La Mirada and Anaheim last summer, continues to search for a buyer for the shuttered outlets.

Family spokesman Craig Sutherland declined comment on the plans for disposition of the stores, which originally opened about six years ago.

An official with Buena Park Lumber said that the single-unit independent hired two former Sutherland employees and also purchased some of the La Mirada store's inventory during a liquidation sale last July.

Since then, the properties have been vacant.

Paint Factory enters San Diego

SAN DIEGO — The Paint Factory announced the locations of the first two of five stores planned for the San Diego area: an ex-Handyman in El Cajon and a build-to-suit in San Marcos, both San Diego County cities.

The El Cajon store, scheduled to open in June, will total 35,000 square feet and is located on Fletcher Parkway across from the Parkway Plaza Shopping Center. The San Marcos unit, scheduled to open in Vallecitos Towncenter in early 1988, will contain 30,000 square feet of selling space.

San Diego Glass closes doors

SAN DIEGO — San Diego Glass & Paint has closed the doors to its 17 store chain and completed the liquidation of its inventory, said Robert Shapiro, president.

While all the retail stores have stopped operating, Shapiro said that San Diego Glass & Paint will continue to install glass and metal at commercial and industrial sites.

The retail locations have been offered for lease.

The 59-year-old company had announced its plans to close in February when principal owner Bob Hanson explained that the chain "is not getting the return on investment that it could get if the owners go out of business and become real estate brokers."

The chain posted sale of $17 million for 1986.

Ziegler opens 8th unit

SPOKANE, Wash. — Ziegler Lumber Co. has opened its eighth unit, a 13,000-sq.-ft. retail showroom adjacent to a 10,000-sq.-ft. storage shed located on a 3½-acre site at the northern end of this city.

General manager Reid Ziegler said the unit, a retrofit of a grocery store, is the third Ziegler retail outlet to open in the Spokane market, where the privately held company is headquartered. The grand opening took place April 16.

Ziegler, which posted 1986 sales of $17 million, also operates four units in Idaho.

BE converts all Calif. Ole's units

IRVINE, Calif. — Proclaiming, "Now we're one, second to none!" in its mid-April circular, Builders Emporium has converted every Ole's Home Center in California to the BE name and format, giving BE a statewide store count of 98 units.

This makes the Wickes-owned division the state's leader in number of home centers it operates. The Ole's outlets, along with the San Jose-based Orchard Supply Hardware chain, were acquired last June from W.R. Grace.

The Ole's name hasn't been changed in Arizona.

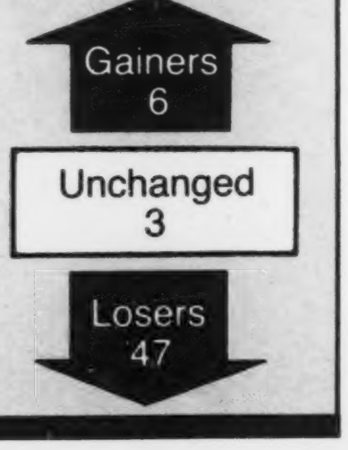
Majority of stocks decline

NEW YORK — Home center stocks finally experienced a correction during the two-week period that ended April 16. Of the 56 stocks tracked for *NHCN* by Media General, 47 declined in price while only six increased. Three stocks remained unchanged.

Stanline dropped by 19.6 percent to $10¼. Wickes Cos. dropped 14.7 percent to $3⅜.

Pay 'N Pak increased 3.1 percent to $20⅘, on news of a possible tender offer.

See financial tables, page 94.



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Effort to take over Pay 'N Pak at standstill; co. to meet suitors

By an NHCN staff editor

KENT, Wash. — Florida investor Paul A. Bilzerian reached a standstill agreement with the management of Pay 'N Pak here, which said it would turn over internal company financial documents if Bilzerian agreed not to make a tender offer for the 107-unit, $398 million chain for 230 days.

Early last month, Pay 'N Pak had rejected Bilzerian's $171 million purchase offer, saying it was "inadequate." But the retailer agreed to meet with Bilzerian as well as other parties interested in buying the company.

Bilzerian, meantime, said he has retained Shearson Lehman Brothers Inc. to advise him on his bid for Pay 'N Pak. He controls a 9.99% stake in Pay 'N Pak and has made a $19-a-share bid for the company. (*NHCN*, April 20).

Pay 'N Pak said it is being assisted by Solomon Brothers in soliciting potential buyers for the company.

The retailer did not name parties that are interested in buying it, nor did it say what price it would accept in a takeover bid.

Marshall J. Weigel, Pay 'N Pak's vice chairman, told *NHCN* he could not discuss any aspect of the situation, adding, "My lips are sealed. When we are ready, we will make an announcement."

Bilzerian, who raised funds to purchase Pay 'N Pak's stock through investment bankers Morgan Stanley & Co. and Kidder, Peabody & Co., was traveling and could not be reached for comment.

Home centers and hotels?

However, Pay 'N Pak is not the only item on Bilzerian's takeover checklist. On April 21, the investor reportedly expressed interest in acquiring the hotel and restaurant properties of Ramada Inc., which operates or franchises over 98,000 rooms and two casinos.

Bilzerian did not make a formal offer for the company, but had requested a meeting with its chairman, Richard Snell. The company's stock, upon news of that request, rose $1.25 to close at $9.25.

Payless founder, Furrow, dies of heart ailment

By an NHCN staff editor

TUCSON, Ariz. — Vernon Furrow, a founder and former chairman of Payless Cashways Inc., died here April 17 of a heart ailment.

Furrow, 78, along with his brother and father, founded the entity which grew from a single lumberyard in Pocahontas, Iowa, to what is now a chain of 182 stores in 23 states.

"Vern Furrow was a true pioneer in our industry," said Payless' chairman and ceo David Stanley in a prepared statement. "He, above all others, set the tone and direction for our company and, to a large extent, for our industry.

"We are thankful to have had his leadership and foresight in guiding Payless Cashways from a regional lumberyard to a leading chain of speciality building materials stores."

The industry recognized Furrow in 1986, inducting him into the Home Center Hall of Fame and awarding him the industry's Pioneer Award.

Having begun their retail career in a store owned by the Minneapolis-based Fullerton Lumber, the three Furrows opened their first yard in 1930 and a second yard in 1931 in Early, Iowa.

A Payless spokeswoman said the Tucson store opened in 1947 was the first in the chain to be called a "Cashway Lumber Store to reflect the cash-and-carry philosophy."

When his father and brother died in 1959 and 1960, respectively, Vernon Furrow expanded the business further into Arizona and New Mexico.

With 16 units in 1969, the company went public, issuing 254,000 shares of stock at $13 a share. Furrow served as chairman from 1969 to 1971. He retired in 1971 but remained on the board until 1984.

He is survived by his wife, Dr. Virginia Furrow; three children: Betty Beving, Ackley, Iowa, Anne Furrow, Tucson and William Furrow, Robles Junction, Ariz.; two sisters, eight grandchildren and six great-grandchildren.

Dean A. Drake in December 1985 when he retired from O'Malley. NHCN photo

Former O'Malley exec. vp, Drake, dead at age 69

By an NHCN staff editor

PHOENIX — Dean A. Drake, former executive vp of the O'Malley Lumber Co. and general manager of its retail division, died March 24. He was 69.

Saying his retirement was "hastened a little bit by ill health," Drake resigned from O'Malley in December 1985 after working at the company for 35 years.

Beginning with his arrival in August 1950 and for the

(Continued on page 95)

Diamond Lumber and parent file Ch. 11

By an NHCN staff editor

DALLAS, TEXAS — Michigan General and Diamond Lumber filed for protection under Chapter 11 of the federal bankruptcy laws April 22.

The filing was made here at U.S. Bankruptcy Court for the northern district of Texas.

M-G, based in Saddle Brook, N.J., said its filing was necessary because of increasing pressure from its senior lender, CIT Business Credit, New York, a subsidiary of Manufacturers Hanover.

M-G has been experiencing a tightening cash squeeze in recent months, as a result of severe losses. CIT, which had been extending the company additional credit in order to provide working capital, decided that it could extend the credit no further.

"I would have hoped that we could have worked things out with the lender," said Jerold Grubstein, executive vp of M-G. "But we feel that with this filing we can reorganize and come out stronger."

Diamond Lumber lost $900,000 on revenues of $338.3 million in 1986. M-G lost $39.3 million on $386 million in revenues last year.

M-G reported assets of $201.3 million and liabilities of $189.5 million at the end of 1986.

Diamond Lumber also had to file for protection because it

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Survey: suppliers call import rules lenient

By an NHCN staff editor

SCHAUMBURG, Ill. — More than three out of five hardware suppliers think the Reagan administration is too "lenient" on imports, according to a newly published survey of manufacturers sponsored by the American Hardware Manufacturers Association (AHMA).

The trade issue was one of 40 business and economic subjects the AHMA explored with some 200 American hardware makers in its annual governmental relations survey.

Impact varies

The findings of the manufacturers' feelings on imports were included in the AHMA's 1987 survey which was released in late February, about four weeks before the Reagan administration imposed a 100% tariff on certain Japanese products, including selected power tools.

One-hundred-ninety-seven manufacturers responded to the question about President Reagan's forcefulness in protecting U.S.-made products from foreign invasion, and 65.5 percent thought his administration's policy was too lenient. The next largest group, about 30 percent, thought the policy was "about right." Only four percent, or eight respondents, believed the policy was restrictive.

When asked to measure the impact imports have had on their business, the manufacturers were equally divided. About one-third of the respondents—66 companies—thought imports have had a significant impact on their operations. A slightly larger group, or 35.5 percent, said imports were having a growing impact and 31 percent thought imports had minor or no impact.

In one of the most lopsided import inquiries, 91.8 percent of the survey's respondents thought that the price of imports accounted for foreign products increased market share. Some 16 percent thought the price of imports was moderately important.

On a separate but related issue, nearly a quarter of the respondents thought imports enjoyed a greater market share because consumers believed the products were of better quality. But some 59.9 percent, 112 companies, argued that import quality was moderately important to the foreign products penetration in the market.

Nearly two-thirds of the responding manufacturers thought that foreign goods increased in market share because of noncompetitive labor costs. About 64 percent felt that higher labor costs abetted import penetration into the U.S. while a third thought labor costs were of moderate importance. A scant five percent thought it had no impact.

Taiwan viewed as toughest

By sizable majorities, Taiwan, Japan, and Korea were identified by the respondents as the toughest foreign competitors. More than eight in 10 respondents saw the Taiwanese as tough competitors, followed by the Koreans (54 percent) and the Japanese (53 percent).

Half of the 164 manufacturers responding to a query examining the percentage of foreign components that go into American products said no overseas parts were used to make their goods. But two groups, both of whom equaled 22 percent of the response group, said two percent to five percent of the components in their products were foreign made. A scant 1.3 percent said half of the components in their products were made overseas.

The study revealed that the amount of exporting these manufacturers do varies. For instance, close to 40 percent of the survey's respondents were getting only five percent or less of their sales from overseas business. But some 17 companies, or 10.7 percent of the respondents, said they earned 10 percent of their sales overseas.

Despite the prevailing commitment to sales in the U.S., more than half of the respondents were looking forward to increasing their export sales.

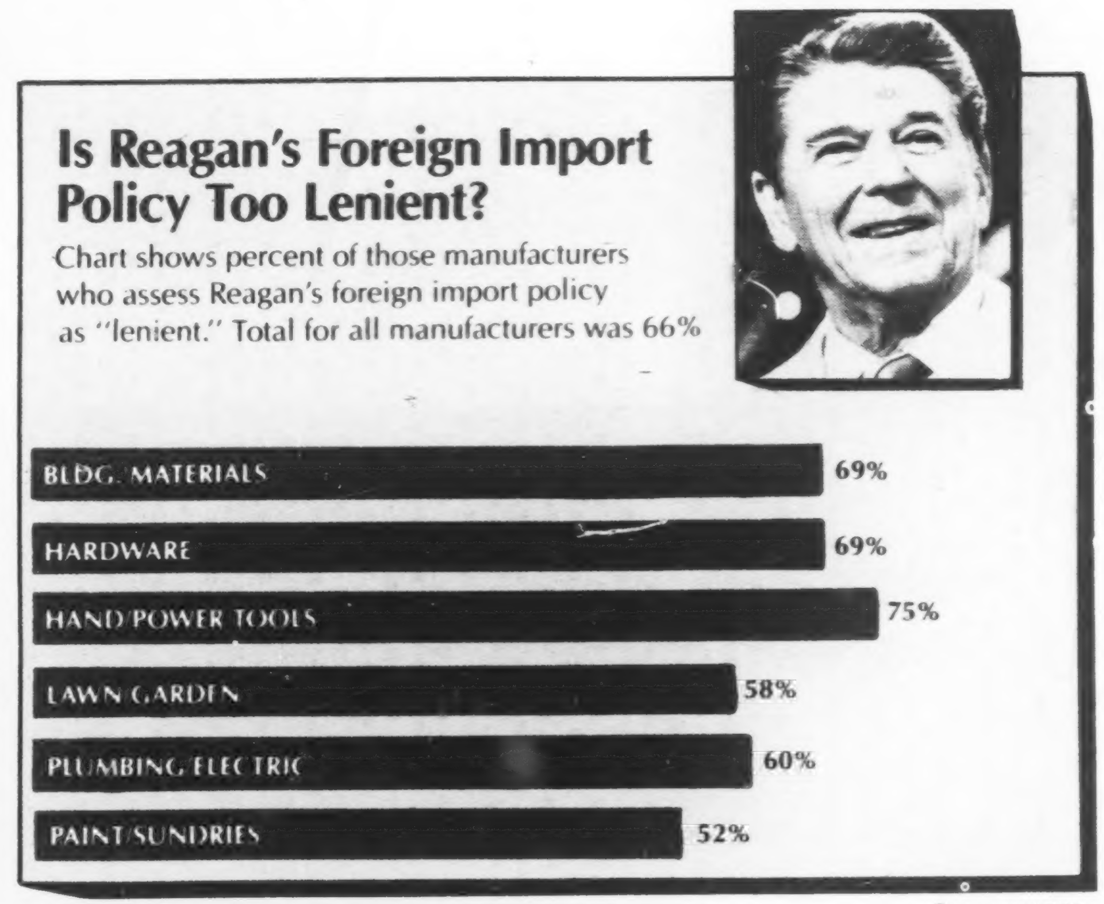

Is Reagan's Foreign Import Policy Too Lenient?

Chart shows percent of those manufacturers who assess Reagan's foreign import policy as "lenient." Total for all manufacturers was 66%

Note: Some firms appear in more than one category

Source: AHMA

Pergament opens 'superstore' in Bethpage, N.Y.

Ready for competition

By an NHCN staff editor

BETHPAGE, N.Y. — Pergament has added hundreds of home decor items, including linens, Oriental rugs and bedding, to a newly reopened unit in preparation for this year's market onslaught into its Long Island stronghold by Hechinger and Mr. Goodbuys.

If the new lines prove successful, they will be "extended to all of our stores," Bruce Pergament, senior vp-administration, said in published comments.

He also said that the company will open six other "superstores" this year that will test the new departments.

Pergament held the grand reopening of its 150,000-square-foot store here in mid-April amid a flood of local advertising that boasts the store's large size.

"New York's largest home center," according to the 42-unit, Melville, N.Y.-based retailer, features expanded furniture and flooring departments, bedding and housewares including electric appliances and dishes. Bed and bath linens, storage products, stationery and personal care items are also included as well as picture frames and prints.

Pergament is apparently trying to focus on home decor lines that are strongly featured at Hechinger and Mr. Goodbuys.

Philadelphia-based Mr. Goodbuys and Hechinger, Landover, Md., will have stores in nearby Long Island communities. Mr. Goodbuys will open a 105,000-square-foot unit in Westbury and Hechinger will be in Huntington.

A Rickel store is located less than one mile from Pergament in Bethpage.

In addition to the new items and departments, the newly remerchandised Pergament store also includes three leased departments, a snack bar, optician and a jewelry counter.

Pergament executives declined to discuss the newly remerchandised store with *NHCN* and would not allow photographs.

Pergament created 25,000 square feet of space at the two-level store by discontinuing leased departments for apparel, sporting goods, shoes and stationery products and replacing them with new company-owned departments.

Pergament said the company has no plans to add other departments, and commented that the Bethpage store is an experiment.

"We don't know if [the expansion] will work, but if it does, it'll be extended to all of our stores," Pergament told *Discount Stores News*, a trade publication.

The two-level store has hardlines departments upstairs and the new domestics categories plus the kitchen and bath departments, downstairs.

Several shoppers said they liked the new store. Nick Apostolo, a customer who works as a teacher and part-time handyman, said the new format makes it easier for him to find what he needs.

However, one female shopper said she would never buy any of the furniture featured at the store because it looked "too cheap," but is sure others would. She was shopping Pergament that day for food storage containers.

Other departments where new products are featured include the paint area, complete with Oriental and contemporary rugs. An information counter, lawn and garden, lumber, millwork, lighting and a reduced automotive department are on the right side of the store.

Downstairs, customers shop in a carpeted department store environment. Access is through two staircases.

Varied mix

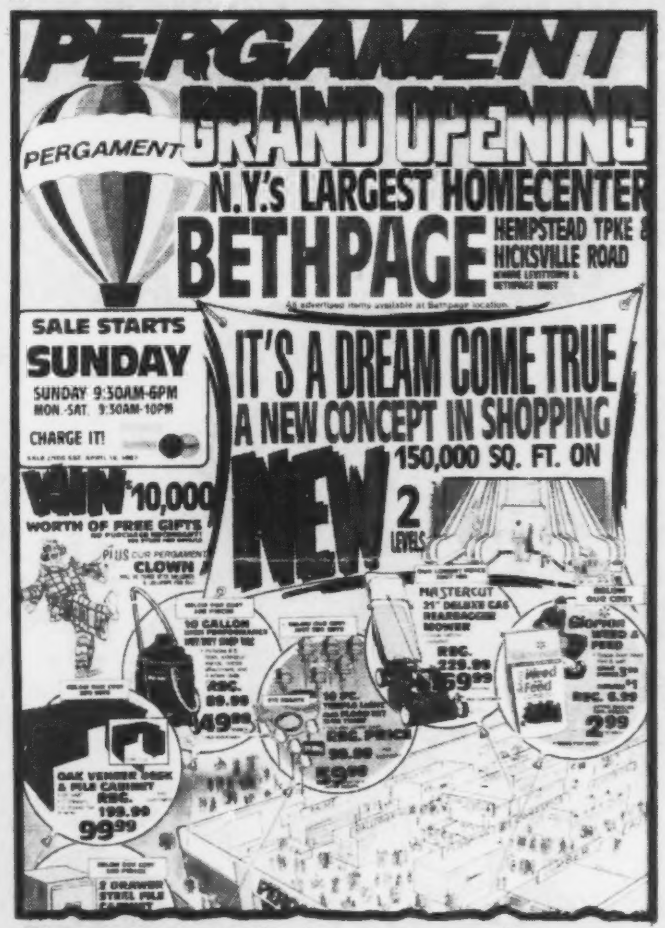
About 20 outdoor furniture vignettes set on a wood plank floor with coordinated rugs are displayed between the staircases.

Stock bisects the furniture department. On one side, Pergament has seven bedroom vignettes, including bedding, computer desks and file cabinets. On the right, the store is outfitted with folding tables, dinette sets and a grouping showing den furnishings.

Barbecue grills, bug zappers and outdoor games separate furniture from bed and bath linens. The domestics department includes towels, sheets, bath curtains, pillows, blankets and comforters.

Behind domestics is the bath section. Along with

(Continued on page 95)



Pergament calls its reopened superstore New York's largest home center in grand opening flyer.

Carpet flap could affect Wickes Cos. statement

By Brad Aitman
NHCN staff editor

SANTA MONICA, Calif. — Wickes Cos.' 1986 financial results probably will not get an unqualified endorsement from its outside auditor, Arthur Andersen & Co., because of concern that carpet produced by one of its new subsidiaries does not meet certain flammability standards.

Wickes said its Collins & Aikman subsidiary, a textile manufacturer that Wickes acquired in January for $1.16 billion, sold a polyvinyl chloride-backed carpeting primarily to commercial and industrial markets that did not meet "radiant panel flammability tests" or smoke density tests of "some building codes."

The Collins & Aikman floorcovering division has sold more than 30 million square yards of the carpeting in the past decade, generating sales of about $360 million at today's prices, Wickes said.

William Krenn, Wickes' director of public relations, declined to elaborate beyond Wickes' initial statement released April 15. The statement said Wickes believes the carpeting complies with the Federal Flammable Fabrics Act standards, and that Collins & Aikman has been delivering the carpet for about 18 years "without any known incidence of fire-related injuries related to the carpeting."

A source at Wickes' Builders Emporium based in Irvine, Calif., said that the carpet in question "was a commercial grade" sold to commercial and industrial markets and Wickes' retail outlets "did not sell it."

"We're talking with Collins & Aikman now on some programs they have" for possible inclusion in the BE merchandise mix, the BE source elaborated, saying he didn't know

(Continued on page 96)

Texas dealers fight lien laws

By Milford Prewitt
NHCN staff editor

AUSTIN, Texas — Texas lumber dealers are racing the clock and seeking allies in a broad political effort to revise the state's lien laws which, they say, adversely impact all suppliers to construction sites.

The dealers have joined with other building material suppliers to form the Texas Construction Industry Council (TCIC). It's a lobbying group whose mission currently is to change lien laws which have allowed banks and other lenders to be the first to recover their money when foreclosing on construction sites.

The group is currently backing two bills. One would force banks to watch how their construction loans are spent and ensure the ability of suppliers to recoup funds when foreclosed properties are re

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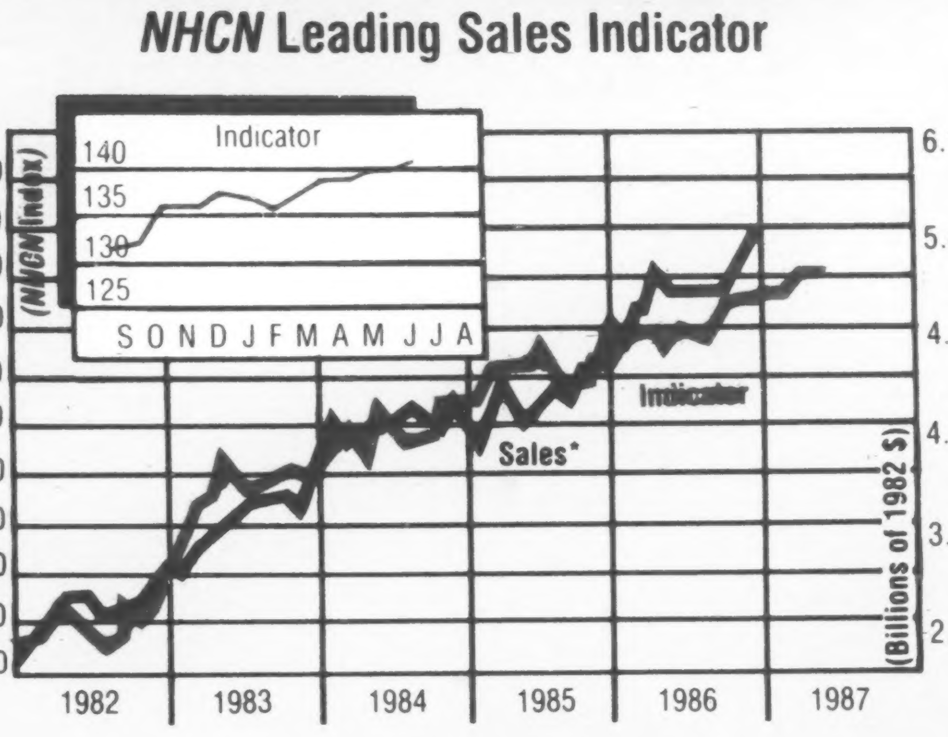

The NHCN Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong from September to December of 1986, although they fell in January. Single-family housing starts exceeded 1.3 million in February and will remain near 1.2 million units during 1987 as interest rates decline.

Strength of high-end housing market to fuel sales this year

By Richard E. Mount
Special to NHCN

NEW YORK — The strength of the high-end housing market is projected to fuel building materials sales this year.

Even though the economy is in the late stages of its recovery, commodities volume should still increase by 11 percent, and 6 percent in unit volume, as these more expensive homes require more building products, are sold to higher income households, and generate residual sales after they are purchased.

Upgraded Homes

There has been a year-long slowdown in housing starts in general, and the national economy has been weak in the first half of the year.

Richard E. Mount

But the sale of high-end homes—those new units selling for more than $120,000—have been propelled sharply during this period, following three distinct phases:

- In 1983-84, real incomes rose 4.5 percent per year as the economy rebounded from the 1980-82 recession. Mortgage rates dropped from 17.2 percent in early 1982 to 13.6 percent by the end of 1984, making housing more affordable. The Northeast economy rose the fastest and housing prices there are above the national average. Homes costing over $120,000 rose from 15 percent of the total in 1982 to 22

(Continued on page 19)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

		1985	1986				1987					
		QI	QII	QIII	QIV	QI	QII	QIII	QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)		124.7	127.9	132.1	137.1	138.6	140.2	143.4	142.8	118.5	130.4	141.3
General Economic Outlook												
	GNP $1982 Billion	3,655.9	3,661.4	3,686.4	3,696.1	3,720.6	3,736.3	3,760.9	3,789.7	3,585.2	3,700.5	3,753.4
	Real Disposable Income $1982 Bil.	2,581.2	2,625.8	2,605.5	2,593.4	2,620.6	2,627.6	2,640.3	2,656.1	2,528.0	2,602.3	2636.8
	Housing Permits (000 SAAR)	1,834	1,822	1,678	1,695	1,625	1,610	1,650	1,675	1,733	1,762	1,640
	Housing Starts (000 SAAR)	1,938	1,878	1,758	1,702	1,810	1,740	1,720	1,700	1,742	1,806	1,693
	New Home Sales (000 SAAR)	789	794	686	709	715	715	735	750	688	749	729
	Resales (000 SAAR)	3,256	3,470	3,615	3,927	3,475	3,500	3,500	3,525	3,214	3,565	3,500
	Prime Rate %	9.4	8.6	7.9	7.5	7.5	7.8	7.8	7.8	9.9	8.4	7.4
	Mortgage Rate % (HUD)	10.8	10.1	10.2	9.7	9.1	9.1	9.0	9.4	12.5	10.2	8.9
	Consumer Price Index (1967 = 100)	327.7	326.3	328.4	330.7	334.6	337.9	341.6	345.6	322.1	328.3	338.9
	Producer Price Index (1967 = 100)	292.1	288.5	288.2	290.1	292.0	294.8	298.2	301.4	293.9	289.7	298.1
	New Housing Affordability 1980-100)	128.6	129.4	126.1	127.8	131.4	133.4	132.6	133.9	117.6	128.0	132.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	91,800	84,009	88,907	90,140	93,474	96,292	99,299	101,438	80,267	88,712	97,626
	Maintenance and Repair	37,700	29,700	38,038	39,107	39,845	40,606	41,461	42,246	35,358	36,136	41,040
	Additions and Alterations	33,900	40,300	33,212	32,684	34,517	35,857	37,515	38,248	28,775	35,024	36,534
	Major Replacements	20,200	14,000	17,656	18,349	19,112	19,829	20,323	20,944	16,134	17,551	20,052
Constant	**Total Millions $1982 SAAR**	83,655	74,718	78,300	78,600	80,700	82,310	84,040	85,000	74,614	78,818	83,013
	Maintenance and Repair	34,353	26,418	33,500	34,100	34,400	34,710	35,090	35,400	32,864	32,093	34,900
	Additions and Alterations	30,892	35,847	29,250	28,500	29,800	30,650	31,750	32,050	26,791	31,122	31,063
	Major Replacements	18,408	12,453	15,550	16,000	16,500	16,950	17,200	17,550	14,959	15,603	17,050
Retail Trade Activity												
Current	**Total $ millions SAAR**	1,404,848	1,421,400	1,478,632	1,478,620	1,476,907	1,501,555	1,524,331	1,544,053	1,373,941	1,445,875	1,511,711
	Total Minus Automobile	1,094,680	1,098,912	1,112,548	1,123,804	1,135,907	1,155,925	1,177,322	1,191,303	1,061,148	1,107,486	1,165,114
	Building Material, Hardware, Garden Supply, Mobile Home	83,952	85,316	86,540	87,136	88,829	91,533	94,163	97,003	74,062	85,736	92,882
	Building Material and Supply	61,260	62,580	62,956	64,584	66,076	68,432	70,590	73,907	53,841	62,845	69,751
	Hardware	11,404	11,460	11,832	11,748	12,289	12,522	12,691	12,863	11,092	11,611	12,591
Constant	**Total Millions $1982 SAAR**	1,306,486	1,337,991	1,380,017	1,374,182	1,359,000	1,368,000	1,375,000	1,379,000	1,282,772	1,349,669	1,370,250
	Total Minus Automobile	1,026,722	1,048,913	1,054,219	1,059,193	1,060,000	1,068,000	1,077,000	1,079,000	997,299	1,047,262	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	78,808	82,347	82,367	81,208	81,966	83,625	85,176	86,876	70,215	81,183	84,411
	Building Material and Supply	57,497	60,401	59,924	60,190	60,790	62,150	63,475	65,800	51,035	59,303	63,054
	Hardware	10,706	11,063	11,262	10,949	11,340	11,440	11,480	11,520	10,507	10,995	11,445
	Building Materials % of Total Less Automobile ($Current)	5.60	5.69	5.66	5.75	5.82	5.92	6.00	6.20	5.07	5.67	5.99

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
May 4, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*